

Accounts from Incomplete Records Assignment

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><tr><th>Liabilities</th><th>Amount</th><th>Assets</th><th>Amount</th></tr><tr><td>Capital of Mr. Y</td><td>4,50,000</td><td>Fixed assets</td><td>2,25,000</td></tr><tr><td>Creditors</td><td>8,70,000</td><td>Stock</td><td>9,15,000</td></tr><tr><td>Bills payable</td><td>1,87,500</td><td>Debtors</td><td>2,22,000</td></tr><tr><td>Expenses outstanding</td><td>67,500</td><td>Bills receivable</td><td>90,000</td></tr><tr><td></td><td></td><td>Prepaid insurance</td><td>3,000</td></tr><tr><td></td><td></td><td>Cash/bank balance</td><td>1,20,000</td></tr><tr><td></td><td>15,75,000</td><td></td><td>15,75,000</td></tr></table> <p>1) Following are the summary of cash and bank transactions for the year ended 31, March, 20X2</p> <table><tr><td>Cash sales</td><td>1,10,70,000</td></tr><tr><td>Collections from debtors</td><td>22,65,000</td></tr><tr><td>Payments to creditors</td><td>1,12,60,500</td></tr><tr><td>Paid for bills payable</td><td>12,22,500</td></tr><tr><td>Sundry expenses paid</td><td>9,31,050</td></tr><tr><td>Drawings</td><td>3,60,000</td></tr><tr><td>Cash and bank balance as on 31.12.20X2</td><td>1,90,950</td></tr></table> <p>2) Following further details are furnished</p> <p>Gross profit on sales @ 10%</p> <p>Bills receivables during the year 6,52,500</p> <p>Discount allowed to debtors 54,000</p> <p>Discount received from creditors 42,000</p> <p>Bills receivables endorsed to creditors 22,500</p> <p>Annual fire insurance premium paid 63,800</p> <p>(This amount is to be paid on 1 august every year)</p> <p>Depreciate fixed assets @ 10%</p> <p>3) Balance as on 31.3.20X2 are as follow</p> <table><tr><td>Stock in hand</td><td>9,75,000</td></tr><tr><td>Debtors</td><td>2,28,000</td></tr><tr><td>Bills receivable</td><td>2,10,000</td></tr><tr><td>Bills payable</td><td>2,10,000</td></tr><tr><td>Outstanding expenses</td><td>7,500</td></tr></table> <p>Prepare trading, profit and loss account or the year ended 31.3.20X2 and the balance sheet on that date.</p> <p>Major points:</p> <p>1) Sundry expenses include payment for fire insurance premium.</p> <p>2) Compute prepaid insurance from annual fire insurance paid.</p> <p>(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		15,75,000		15,75,000	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
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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		
		14,46,750		14,46,750
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	22500
Less: Drawings	3,60,000	589200		202500
			Bills receivable	210000
			Debtors	228000
Bills payable		210000	Prepaid insurance	3000
Creditors		1002750		
Outstanding expenses		7500	Cash on hand/bank	190950
			Stock	975000
		1809450		1809450
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
		7,42,500		7,42,500
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
		31,99,500		31,99,500
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
		14,32,500		14,32,500

Creditors Account			
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		
	1,35,72,750		1,35,72,750

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

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
	9,38,550
Less: Outstanding expenses as on 1.4.20X0	67,500
	8,71,050
Add: Prepaid Insurance as on 1.4.20X0	3,000
	8,74,050
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	8,71,050

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	
	7,36,200		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
	8,62,800		8,62,800

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	11,60,000
To Returns	8,000	(Balancing figure)	
To Balance c/d (closing balance)	2,48,000		
	14,75,400		14,75,400

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
5) Expenses to be shown in profit and loss account				
		₹		₹
	Expenses (in cash)	1,91,400		
	Add: Outstanding of 2011	6,600		
		1,97,800		
	Less: Outstanding of 2010	12,000		
				1,86,000
6) Cash and Bank Account				
	Cash	Bank	Cash	Bank
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
	3,36,000	16,00,000	3,36,000	16,00,000

3. From the following data furnished by manoj, you are required to prepare a trading and profit and loss account for the year ended 31st March, 20X2 and a balance sheet as at that date. All working should from part of your answer.

Assets and liabilities	As on 1 st April 20X1	As on 31 st March 20X2
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
Details relating to transaction in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
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 31st March, 20X2			
	₹.	₹.	₹.	
To opening stock		8,040		
To purchases	59,030			
Less: returns	<u>400</u>	58,630		
		14,810		
To gross profit c/d		81,480		
To sundry expenses (w.n.5)		9,300		
To discount		1,500		
To debts		4,290		
To net profit to capital		<u>15,510</u>		
			₹.	
By sales				
Cash		4,600		
Credit		67,210		
		71,810		
Less: returns		<u>(1,450)</u>	70,360	
By closing stock			11,120	
			81,480	
By gross profit			14,810	
By discount			700	
			<u>15,150</u>	
Balance sheet of M/s.... As on 31st 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
	<u>4,290</u>		Cash in hand & at bank	8,080
Less: drawings	39,560			
	0			
Sundry creditors	3,180	36,380		
		12,400		
Outstanding expenses		330		
		<u>49,110</u>		<u>49,110</u>
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 balancing figure)	4,600	By sundry expenses		9,570
		By purchases		1,030
		By balance c/d		8,080
	<u>96,800</u>			<u>96,800</u>

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2)

Total Debtors account

Save and Continue →

2) Total Debtors account

	₹.		₹.
To balance b/d (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 1st 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>
	<u>9,300</u>

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 31st 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 31st March 20X1 disclosed the following:

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

The following are the balances on 31st march, 20X1:

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

On the evening of 31st 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 31st 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			
	30,250			30,250

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	1,04,000	Cash at bank	60500
Liabilities for goods		36500		
		1,40,500		1,40,500

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
	1,11,500		1,11,500

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
	60,000		60,000

4) Cash Sales

	₹
Total sales	1,51,250
Less : Credit Sales	35,000
Cash sales	<u>1,16,250</u>

Notes

- 1) All purchases are taken on credit basis
- 2) 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
- 3) 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
	10,00,000		10,00,000

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
		Drawings	2,40,000
Receipts for Bills Receivable	3,40,000	Cash in Hand and at Bank on 31st March, 20X2	1,27,300
	93,10,000		93,10,000

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 (10% of 93,00,000)	9,30,000	Credit (W.N. 2)	19,20,000
		By Closing stock	6,50,000
	99,50,000		99,50,000
To Sundry expenses (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 (15% ₹ 1,00,000)	15,000	received	
To Net Profit (b.f.)	3,26,300		
	9,58,000		9,58,000

Balance Sheet as at 31st March, 20X2

Liabilities	Amount ₹	Assets	Amount ₹
Capital		Furniture & Fittings	1,00,000
Opening balance	2,50,000	Less : Dep.	(15,000)
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>	Bills receivable	75,000
	3,36,300	Unexpired insurance	2,000
Bills payable	1,40,000	Cash in hand & at bank	1,27,300
Trade creditors	6,10,000		
Outstanding expenses	5,000		
	10,91,300		10,91,300

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
	4,30,000		4,30,000

2) Trade Debtors Account

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

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		
		99,50,000		99,50,000
4) Bills Payable Account				
Particulars		₹	Particulars	₹
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
		9,55,000		9,55,000
5) Trade Creditors Account				
Particulars		₹	Particulars	₹
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		
		89,90,000		89,90,000
6) Computation of sundry expenses to be charged to Profit & Loss A/c				
Particulars			₹	
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)	
			5,80,700	
6.	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.			
(ICAI SM/May 2008/November 2015/RTP)				
Sol.	Calculation of Credit Sales and Total sales Credit sales for the year ended 20X1 – X2 = Debtors x 12 months/1.5 months = ₹ 1,25,000 x 12 months/1.5 months = ₹ 10,00,000 Total sales for the year ended 20X1 – X2 = Credit sales x 100%/80% = ₹ 10,00,000 x 100%/80% = ₹ 12,50,000			

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

	31.3.20X1 ₹	31.3.20X2 ₹
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 31st 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		
	7,12,000		7,12,000

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		
		9,02,000		9,02,000

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
	5,10,000		5,10,000

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		
	16,35,000		16,35,000

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
	12,25,000		12,25,000

5) Salaries

	₹
Salaries paid during the year	2,36,000
Add: Outstanding salaries as on 31.3.2009	20,000
	2,56,000
Less: Outstanding salaries as on 31.03.2008	19,000
	2,37,000

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
	27,88,000		27,88,000

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
	7,40,000		7,40,000

- 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
		96,500			96,500

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
	1,59,500		1,59,500

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		
	1,47,500		1,47,500

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
	1,70,000		1,70,000

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
	79,500		79,500

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		<u>1,00,000</u>			
		<u>5,70,000</u>			<u>5,70,000</u>
To loss on sale of equipment (20,000-15,000)		5,000	By gross profit		1,00,000
To depreciation- Building	3,000		By discount received		4,800
Furniture	2,500				
Equipment	24,600	30,100			
To expenses paid	40,000				
Add: outstanding Expense	<u>3,000</u>	43,000			
To discount allowed		5,500			
To profit					
Transferred to:	10,600				
A's capital a/c					
B's capital a/c	<u>10,600</u>	21,200			
		<u>1,04,800</u>			<u>1,04,800</u>

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
		6,44,900			6,44,900

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 & 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>
	<u>2,92,000</u>		<u>2,92,000</u>

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 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)	
	3,25,000		3,25,000

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

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

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 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
	6,55,500		6,55,500

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

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	10,000
		(45,000 - 35,000)	
		by equipment purchases	52,000
		(W.N.4)	
		By balance /d (bal.fig.)	<u>58,000</u>
	5,05,000		5,05,000

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 1st 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
	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
Liabilities:				
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 31st March, 20X2 is given below:

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

Particular of other assets and liabilities are as follows:

	31 st March, 20X1	31 st 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 31st March 20X2 after providing depreciation at 10% on machinery and furniture's and 800 against doubtful debts.

(ICAI SM)

Sol.

A. Adamjee
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	<u>14,800</u>		
	67,800		67,800
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	<u>120</u>		
To provision for doubtful debts	870		
To balance being profit	800		
Carried to capital a/c	<u>2,830</u>		
	15,000		15,000

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Balance sheet as on 31st March, 20X2

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

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

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

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
		<u>37,930</u>		By Net Profit	2,830
					<u>37,930</u>

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 account	51,100
		<u>62,100</u>			<u>62,100</u>

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 (Balancing figure)	51,100	March. 31	By balance c/d	17,600

Save and Continue →

	Apr.1	To Balance C/d	65,600			65,600
			17,600			
Total creditors account						
	Date	Particulars	₹	Date	Particulars	₹
	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 (Balancing figure)	37,100
			42,900			42,900
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				
		3,87,500			3,87,500	
	Expenses	49,250	Gross profit	65,000		
	Loss on sale of fixed asset	750				
	Depreciation on fixed assets	1,000				
	Net Profit	14,000				
		65,000			65,000	

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		
		2,09,000		2,09,000

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
	2,22,500		2,22,500

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
	4,27,500		4,27,500

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
	3,26,000		3,26,000

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
	12,500		12,500

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

	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:

Other transaction:

- 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.

(ICAI SM)

Sol.

Trading and profit & loss a/c of Mr. Anup For the year ended 31-03-20X2

	₹.	₹.		₹.	₹.
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		
Bills receivable A/c					
Particulars	₹	Particulars	₹		
To balance b/d	15,000	By Sundry creditors a/c			
To Sundry Debtors a/c	40,000	(Bills endorsed)	10,000		
bills accepted		By bank a/c	19,250		
		By discount a/c (bills discounted)	750		
		By bank (Bills collected on maturity)	16,000		
		By Sundry debtors	3,000		
		Bills dishonoured (bal.fig)			
		By balance c/d	6,000		
	55,000		55,000		
Sundry creditor's A/c					
Dr.		Cr.			
Particulars	₹	Particulars	₹		
To bank	3,20,000	By balance c/d	40,000		
To cash	77,200	By credit purchases	4,54,100		
		(Balancing figure)			
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		
Bills payable A/c					
Dr.		Cr.			
Particulars	₹	Particulars	₹		
To bank a/c	22,000	By balance c/d	12,000		
balance figure					
To balance c/d	14,000	S. creditors bill accepted	24,000		
	36,000		36,000		
Summary cash and bank A/c					
Particulars	Cash	Bank	Particulars	Cash	Bank
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 (600*12)	7,200	
Bank	1,21,000		Salary (9,200*12)	1,10,400	
Sundry debtor		5,700	Drawing (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
	10,23,350	9,27,700		10,23,350	9,27,700

Statement of affairs as on 31st 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
	2,90,200		2,90,200

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 ₹	31-3-20X2 ₹
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 30th June they took C as 1/3rd 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 1/4th 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 Stock Debtors Cash at 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

i)	Depreciation on Furniture	
	10% on ₹ 1,20,000	12,000
	10% on ₹ 10,000 for 1/4 year	250
		12,250
ii)	Furniture as on 31-3-2013	
	Balance as on 31-3-2012	1,20,000
	Add: new purchase	10,000
		1,30,000
	Less: Depreciation	(12,250)
		1,17,750
iii)	Total of Current Accounts as on 31-3-2013	
	Total of Assets	4,27,500
	Less : 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
v)	Interest on Drawings :				
	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 : $2/3 \times ₹$	$28,767 + 1/3 \times ₹ 86,300$	= ₹ 47,944
B : $1/3 \times ₹$	1,15,067	= ₹ 38,356
C: $1/3 \times ₹$	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)
	1,15,067

- 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	12,40,000
		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 (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		
		5,60,000		5,60,000

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
	11,00,000		11,00,000

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		
	8,10,000		8,10,000

3) Cash and Bank Account

Particulars	Cash ₹	Bank ₹	Particulars	Cash ₹	Bank ₹
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
	2,50,000	9,50,000		2,50,000	9,50,000

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 ₹		Amount ₹
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 ($₹ 2,60,000 \times 25/100$)	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	Amount	Amount	
Liabilities	₹	₹	Assets	₹
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

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		By Depreciation (balancing figure)	1,000
		By Balance c/d	9,000
	12,500		12,500

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
	4,09,250		4,09,250

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)	
	4,27,500		4,27,500

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
	2,22,500		2,22,500

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
	3,26,000		3,26,000

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
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
	Add: Drawings during the year			3,000

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	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
	15,500		15,500

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

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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.

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- 18.** Rakesh started his business on 1st of April 20X1. He invested a capital of ₹1,00,000. On 31st 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 31st March 20X2.

(ICAI SM)

Sol. **Statement of Affairs as on 31st 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
	1,54,000		1,54,000

Statement of profit or loss for the year ended 31st March, 2022

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

- 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	?

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

Decided to depreciate building by 2.5%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.

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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
	3,81,200	5,90,700		3,81,200	5,90,700

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
	16,40,000		16,40,000

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
			3,00,000
		Bad Debts (Bal fig)	30,000
		Balance c/f	7,00,000
	16,40,000		16,40,000

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		

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To Closing Balance	6,650		
	40,850		40,850

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

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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
	13,70,000		13,70,000

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:

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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

Save and Continue →

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 31st 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.

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		Stock	1,60,000
(500 x 12)	(6,000)	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

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Less: Drawings (500 x 12)	(6,000)	4,32,000	Stock	1,60,000
Creditors		1,46,000	Debtors	1,20,000
			Cash at bank	2,62,000
		5,78,000		5,78,000

Working Notes:**1) Calculation of purchases****Creditors Account**

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

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 To Sales A/c	1,00,000 4,80,000	By Bank A/c (Bal. fig.) By Balance c/d	4,60,000 1,20,000
	5,80,000		5,80,000

5) Calculation of closing balance of cash at bank**Bank Account**

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

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

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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	1,00,000	By Bank A/c (Bal. fig.) By	4,60,000
To Sales A/c	4,80,000	Balance c/d	1,20,000
	5,80,000		5,80,000

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
	5,78,000		5,78,000

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

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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

Save and Continue →