

# CLASS QUESTIONS

## TRADING ACCOUNT

### C.1. [ICAI]

Particulars	₹
Opening Inventory	1,00,000
Purchases	6,72,000
Carriage Inwards	30,000
Wages	50,000
Sales	11,00,000
Returns inward	1,00,000
Returns outward	72,000
Closing Inventory	2,00,000

Required: From the above information, prepare a Trading Account of M/s. ABC Traders for the year ended 31st March, 2020 and Pass necessary closing entries in the journal proper of M/s. ABC Traders

## PROFIT AND LOSS ACCOUNT

### C.2. [ICAI] Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2020 were as follows:

Gross Profit ₹4,20,000, Salaries ₹1,10,000, Discount (Cr.), ₹18,000, Discount (Dr.) ₹ 19,000, Bad Debts ₹17,000, Depreciation ₹65,000, Legal Charges ₹ 25,000, Consultancy Fees ₹32,000, Audit Fees ₹ 1,000, Electricity Charges ₹17,000, Telephone, Postage and Telegrams ₹ 12,000, Stationery ₹ 27,000, Interest paid on Loans ₹70,000.

Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2020. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.

## TRADING AND PROFIT AND LOSS ACCOUNT

### C.3. [ICAI] The following is the Trial Balance of C. Wanchoo on 31st Dec. 2020.

#### Trial Balance on 31st December, 2020

Particulars	₹	₹
Capital Account		10,00,000
Inventory Account	2,00,000	
Cash in hand	1,44,000	

Machinery Account	7,36,000	
Purchases Account	18,20,000	
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	
Trade payables (sums owing to suppliers)		3,70,000
Total	64,00,000	64,00,000

Value of Closing Inventory on 31st March, 2020 was 2,70,000

Required: Prepare closing entries for the above items and Prepare Trading and Profit and Loss Account.

### COST OF GOODS SOLD

**C.4.** [ICAI] Trial Balance for financial the year (FY) ended 31st March 2020 of M/s Deepakshi shows following details:

Particulars	Debit (₹)	Credit (₹)
Purchase & Sales	10,00,000	12,00,000
Debtors & Creditors	5,00,000	4,00,000
Opening Stock	2,00,000	
Closing Stock	3,00,000	
Other Expenses & Incomes	7,00,000	9,00,000
Fixed Assets & Long Term Liabilities	25,00,000	6,00,000
Capital		21,00,000
	52,00,000	52,00,000

Additional Information: Creditors balance as on 1st April, 2019 is ₹ 3,00,000.

You are required to calculate cost of goods sold and amount paid to creditors during the year.

### PROVISION FOR DOUBTFUL DEBT

**C.5.** [ICAI] On 1st April 2020 provision for Doubtful Debts existed at ₹ 40,000. Trade receivables on 31.03.2020 were ₹ 15,00,000; bad debts totalled ₹ 1,00,000. It is required to write off the bad debts and create a provision equal to 5% of the Trade receivables' balances. Show how you would compute the amount debited to the Profit and Loss Account.

## BALANCE SHEET

**C.6. [ICAI]** Given below Trial Balance of M/s Dayal Bros. as on 31st March, 2020 :

Particulars	Debit Balances ₹	Credit Balances ₹
Capital A/c		7,00,000
Land and Building	3,00,000	
14% Term Loan		4,00,000
Loan from M/s. D & Co.		4,60,000
Trade receivables	4,20,000	
Cash in hand	20,000	
Inventories in Trade	6,00,000	
Furniture	2,00,000	
Trade payables		40,000
Advances to Suppliers	1,00,000	
Net Profit		1,00,000
Drawings	60,000	
	17,00,000	17,00,000

Prepare Balance Sheet as on 31st March, 2020

**C.7. [ICAI]** The balance sheet of Thapar on 1st April, 2019 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Trade payables	15,00,000	Plant & Machinery	30,00,000
Expenses Payable	1,50,000	Furniture & Fixture	3,00,000
Capital	50,00,000	Trade receivables	14,00,000
		Cash at Bank	6,50,000
		Inventories	13,00,000
	66,50,000		66,50,000

During 2019-20, his Profit and Loss Account revealed a net profit of ₹15,30,000. This was after allowing for the following:

- (a) Interest on capital @ 6% p.a.
- (b) Depreciation on Plant and Machinery @ 10% and on Furniture and Fixtures @ 5%.
- (c) A provision for Doubtful Debts @ 5% of the trade receivables as at 31st March, 2020.

But while preparing the Profit and Loss Account he had forgotten to provide for

1. outstanding expenses totalling ₹1,80,000 and
2. prepaid insurance to the extent of ₹ 20,000.

His current assets and liabilities on 31st March, 2020 were : Inventories ₹ 14,50,000; Trade receivables ₹ 20,00,000; Cash at Bank ₹ 10,35,000 and Trade payables ₹ 11,40,000. During the year he withdrew ₹6,00,000 for domestic use

Draw up his Balance Sheet at the end of the year.

### FINAL ACCOUNT - (TRADING, PROFIT & LOSS AND BALANCE SHEET)

**C.8. [ICAI]** Shri Mittal gives you the following Trial Balance and some other information:

**Trial Balances as on 31st March, 2020**

Particulars	Dr. ₹	Cr. ₹
Capital		8,70,000
Purchases and Sales	6,05,000	12,10,000
Opening Inventory	72,000	
Trade receivables and Trade payables	90,000	1,70,000
14% Bank Loan (loan taken at year end)		2,00,000
Overdrafts (overdraft taken at year end)		1,12,000
Salaries	2,70,000	
Advertisements	1,10,000	
Other expenses	60,000	
Returns	40,000	30,000
Furniture	4,50,000	
Building	8,90,000	
Cash in Hand	5,000	
	25,92,000	25,92,000

Closing Inventory on 31st March, 2020 was valued at ₹1,00,000.

Prepare final accounts of Shri Mittal for the year ended 31st March, 2020

**C.9. [ICAI]** Mr. Mohan gives you the following trial balance and some other information:

**Trial Balance as on 31st March, 2020**

Particulars	Dr. ₹	Cr. ₹
Capital		6,50,000
Sales		9,70,000
Purchases	4,30,000	
Opening Inventory	1,10,000	
Freights Inward	40,000	

Salaries	2,10,000	
Other Administration Expenses	1,50,000	
Furniture	3,50,000	
Trade receivables and Trade payables	2,10,000	1,90,000
Returns	20,000	12,000
Discounts	19,000	9,000
Bad Debts	5,000	
Investments in Government Securities	1,00,000	
Cash in Hand and Cash at Bank	1,87,000	
	18,31,000	18,31,000

Other Information:

- Closing Inventory was ₹ 1,80,000;
- Depreciate Furniture @ 10% p.a.

Prepare Trading and Profit and Loss Account for the year ended on 31.3.2020 and Balance Sheet of Mr. Mohan as on that date.

**C.10. [ICAI]** The Balance Sheet of Mr. Popatlal, a merchant on 31st March, 2020 stood as below:

Liabilities	Amount	Assets	Amount
Capital	2,40,000	Fixed Assets	1,25,600
Trade payables	1,64,000	Inventories	2,06,400
Bank Overdraft	1,46,000	Trade receivables	1,88,000
		Less: Provision	(6,200)
		Cash	36,200
	5,50,000		5,50,000

Required: Show opening journal entry on 1st April, 2020 in the books of Mr. Popatlal

**C.11. [ICAI]** The following is the schedule of balances as on 31.3.20 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of Messrs Gavaskar Viswanath & Co., at Bombay:

Particulars	Dr. ₹	Cr. ₹
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2019	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	

Motor Car	2,00,000	
Sundry Creditors		4,30,000
Loan from Viswanath		3,00,000
Provision for bad debts		30,000
Purchases	14,00,000	
Purchase Returns		26,000
Sales		23,00,000
Sales Returns	42,000	
Salaries	1,10,000	
Rent for Godown	55,000	
Interest on loan from Viswanath	27,000	
Rates & Taxes	21,000	
Discount allowed to Debtors	24,000	
Discount received from Creditors		16,000
Freight on purchases	12,000	
Carriage Outwards	20,000	
Drawings	1,20,000	
Printing and Stationery	18,000	
Electricity Charges	22,000	
Insurance Premium	55,000	
General office expenses	30,000	
Bad Debts	20,000	
Bank charges	16,000	
Motor car expenses	36,000	
Capital A/c		16,20,000
<b>TOTAL</b>	<b>47,22,000</b>	<b>47,22,000</b>

Prepare Trading and Profit and Loss Account for the year ended 31st March 2020 and the Balance Sheet as at that date after making provision for the following:

- Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹ 14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office equipment by 15 percent; Purchase of a typewriter during the year for ₹ 40,000 has been wrongly debited to purchase; and (d) Motor car by 20%.
- Value of stock at the close of the year was ₹ 4,40,000.
- Two month's rent for godown is outstanding.
- Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2019.
- Provision for bad debts is to be maintained at 5 percent of Sundry Debtors.

6. Insurance premium includes ₹ 40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2019 to 30.6.2020

**C.12. [RTP May 2018 & Similar in RTP Dec. 2021]** The following are the balances as at 31st March, 2017 extracted from the books of Mr. XYZ.

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

**Additional Information:**

- Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725.
- Goods withdrawn by Mr. XYZ for own consumption ₹ 3,500 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to ₹ 450 were included in wages account.
- Free samples distributed for publicity costing ₹ 825.
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2017 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017, and a Balance Sheet as on that date. Also show the rectification entries

**C.13. [RTP Nov. 2018 & Similar in RTP May 2021]** The following is the trial balance of Hari as at 31st December, 2017:

Particulars	Dr.	Cr.
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	₹	₹
Hari's capital account	-	76,690
Stock 1st January, 2017	46,800	-
Sales	-	3,89,600
Returns inward	8,600	-
Purchases	3,21,700	-
Returns outward	-	5,800
Carriage inwards	19,600	-
Rent & taxes	4,700	-
Salaries & wages	9,300	-
Sundry debtors	24,000	-
Sundry creditors	-	14,800
Bank loan @ 14% p.a.	-	20,000
Bank interest	1,100	-
Printing and stationary expenses	14,400	-
Bank balance	8,000	-
Discount earned	-	4,440
Furniture & fittings	5,000	-
Discount allowed	1,800	-
General expenses	11,450	-
Insurance	1,300	-
Postage & telegram expenses	2,330	-
Cash balance	380	-
Travelling expenses	870	-
Drawings	30,000	-
	5,11,330	5,11,330

The following adjustments are to be made:

1. Included amongst the debtors is ₹ 3,000 due from Ram and included among the creditors ₹ 1,000 due to him.
2. Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
3. Depreciation on furniture & fittings @ 10% shall be written off.
4. Personal purchases of Hari amounting to ₹ 600 had been recorded in the purchases day book.
5. Interest on bank loan shall be provided for the whole year.
6. A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
7. Credit purchase invoice amounting to ₹ 400 had been omitted from the books.
8. Stock on 31.12.2017 was ₹ 78,600.



Prepare (i) Trading & profit and loss account for the year ended 31.12.2017 and (ii) Balance sheet as on 31st December, 2017.

**C.14.** [RTP May 2019 & Similar in Nov. 2020] The following is the Trial Balance of T on 31st March, 2018 :

Particulars	Dr. ₹	Cr. ₹
Capital	-	6,00,000
Drawings	70,000	-
Fixed Assets (Opening)	1,40,000	-
Fixed Assets (Additions 01.10.2018)	2,00,000	-
Opening Stock	60,000	-
Purchases	16,00,000	-
Purchases Returns	-	69,000
Sales	-	22,00,000
Sales Returns	99,000	-
Debtors	2,50,000	-
Creditors	-	2,20,000
Expenses	50,000	-
Fixed Deposit with Bank	2,00,000	-
Interest on Fixed Deposit	-	20,000
Cash	-	8,000
Suspense A/c	-	2,000
Depreciation	14,000	-
Rent (17 months upto 31.8.2018)	17,000	-
Investments 12% (01.8.2017)	2,50,000	-
Bank Balance	1,69,000	-
	31,19,000	31,19,000

Stock on 31st March, 2018 was valued at ₹ 1,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters:

1. ₹ 20,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn ₹ 12,000 was used in the business for day-to-day expenses.
2. Purchase of goods worth ₹ 16,000 was not recorded in the books of account upto 31.03.2018, but the goods were included in stock.
3. Purchase returns of ₹ 1,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.

4. Expenses include ₹ 6,000 in respect of the period after 31st March, 2018.

Give the necessary Journal Entries in respect of (1) to (4) and prepare the Final Accounts for the year ended 31st March, 2018

**C.15. [May 2018 & RTP May 2020]** The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (₹)	Credit (₹)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Building	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	



Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400

Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

1. Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
2. Value of stock at the close of the year was ₹ 4,10,000.
3. One month rent for godown is outstanding.
4. Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017
5. Provision for bad debts is to be maintained at 5% of Sundry debtors.
6. Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.

**C.16.** [Nov. 2018] Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P&L account is as follows:

**Trading and P&L A/c for the year ended 31st March, 2018**

Particulars	(₹)	Particulars	(₹)
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit C/d	?		45,00,000
		By Gross Profit B/d	?
To Salaries paid	12,00,000	By Other Income	45,000
To General Expenses	6,00,000		
To Selling Expenses	?		
To Commission to Manager (On net profit before charging such commission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total Sales You are required to compute the missing figures.

**C.17.** [ICAI] From the following particulars extracted from the books of Ganguli, prepare trading and

profit and loss account and balance sheet as at 31st March, 2020 after making the necessary adjustments:

	₹		₹
Ganguli's capital account (Cr.)	5,40,500	Interest received	7,250
Stock on 1.4.2019	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.2019	25,000
Purchases	12,15,500	Furniture as on 1-4-2019	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000
Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-2019 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

#### Adjustment:

- (1) Value of stock as on 31st March, 2020 is ₹ 3,93,000. This includes goods returned by customers on 31st March, 2020 to the value of ₹ 15,000 for which no entry has been passed in the books.
- (2) Purchases include furniture purchased on 1st January, 2020 for ₹10,000.
- (3) Depreciation should be provided on furniture at 10% per annum.
- (4) The loan account from Dena bank in the books of Ganguli appears as follows:

	₹		₹
31.3.2020 To Balance c/d	1,00,000	1.4.2019 By Balance b/d	50,000
		31.3.2020 By Bank	50,000
	1,00,000		1,00,000

- (5) Sundry debtors include ₹ 20,000 due from Robert and sundry creditors include ₹ 10,000 due to him.
- (6) Interest paid include ₹ 3,000 paid to Dena bank.
- (7) Interest received represents ₹ 1,000 from the sundry debtors and the balance on investments and deposits.
- (8) Provide for interest payable to Dena bank and for interest receivable on investments and deposits.
- (9) Make provision for doubtful debts at 5% on the balance under sundry debtors. No

such provision need to be made for the deposits.

- C.18.** [July 2021] Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1st April, 2020. She had a saving of about ₹ 10,00,000. She invested ₹ 3,00,000 out of her savings and borrowed equal amount from bank. She purchased a commercial space for ₹ 5,00,000 and further spent ₹ 1,00,000 on its renovation to make it ready for business

Loan and interest repaid by her in the first year are as follows:

30th June, 2020	- ₹ 15,000 principal+ ₹ 9,000 interest
September, 2020	- ₹ 15,000 principal+ ₹ 8,550 interest
2020	- ₹ 15,000 principal+ ₹ 8,100 interest
2021	- ₹ 15,000 principal+ ₹ 7,650 interest.

In view of further capital requirement, she transferred ₹ 2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of ₹ 7,000 for telephone connection. Furniture of ₹ 10,000 was purchased, All payments were made by cheque and all receipts in cash were deposited in the bank.

At the end of the year, her business showed the following results:

Particulars	Amount	Particulars	Amount
Total Sales	20,00,000	Total Purchases	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Cartage Outwards	60,000	Travelling Expenses	45,000
Entertainment Expenses	5,000	Maintenance Expenses	25,000
Misc. Expenses	15,000	Electricity Expenses Payable	20,000

Other Information:

- She withdrew ₹ 5,000 by cheque each month for her personal expenses.
- Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.
- Closing stock in hand as on 31st March, 2021: ₹ 5,50,000  
Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date.

- C.19.** From the following trail balance and information, prepare Trading and Profit and Loss Account of Mr. Rishabh for the year ended 31st March, 2016 and a Balance Sheet as on that date:

	Dr. Rs.	Cr. Rs.
Capital	-	1,00,000
Drawings	12,000	-

Land and Buildings	90,000	-
Plant and Machinery	20,000	-
Furniture	5,000	-
Sales	-	1,40,000
Returns Outward	-	4,000
Debtors	18,400	-
Loan from Gajanand on 1.7.15 @ 6% p.a.	-	30,000
Purchases	80,000	-
Returns Inward	5,000	-
Carriage	10,000	-
Sundry Expenses	600	-
Printing and Stationery	500	-
Insurance Expenses	1,000	-
Provision for Bad and Doubtful Debts	-	1,000
Provision for Discount on Debtors	-	380
Bad Debts	400	-
Profit of Textile Deptt.	-	10,000
Stock of General Goods on 1.4.15	21,300	-
Salaries and Wages	18,500	-
Creditors	-	12,000
Trade Expenses	800	-
Stock of Textile Goods on 31.3.16	8,000	-
Cash at Bank	4,600	-
Cash in Hand	1,280	-
	2,97,380	2,97,380

**Additional Information:**

1. Stock of General goods on 31.3.16 valued at ₹ 27,300
2. Fire occurred on 23rd March, 2016 and ₹ 10,000 worth of general goods were destroyed. The Insurance Company accepted claim for ₹ 6,000 only and paid the claim money on 10th April 2016.
3. Bad Debts amounting to ₹ 400 are to be written off. Provision for Bad and Doubtful debts is to be made at 5% and for discount at 2% on debtors. Make a provision of 2% on creditors for discount.
4. Received ₹ 6,000 worth of goods on 27th March, 2016 but the invoice of purchase was not recorded in Purchase Book.
5. Rishabh took away goods worth ₹ 2,000 for personal use but no record was made thereof.
6. Charge depreciation at 2% on Land and Buildings, 20% on Plant and Machinery and 5% on Furniture.
7. Insurance prepaid amounts to ₹ 200.

## MISCELLANEOUS

**C.20.** Sengupta & Co. employs a team of eight workers who were paid ₹30,000 per month each in the year ending 31st March, 2019. At the start of financial year 2019-2020, the company raised salaries by 10% to ₹33,000 per month each. On October 1, 2019 the company hired two trainees at salary of ₹21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February etc.

You are required to calculate:

- a. Amount of salaries which would be charged to the profit and loss for the year ended 31st March, 2020.
- b. Amount actually paid as salaries during 2019-20
- c. Outstanding Salaries as on 31st March, 2020

**C.21.** [ICAI & Similar in July 2021] Crimpson Ltd.'s profit and loss account for the year ended 31st March, 2020 includes the following information:

	₹
(i) Depreciation	57,500
(ii) Bad debts written off	21,000
(iii) Increase in provision for doubtful debts	18,000
(iv) Proposed dividend	15,000
(v) Retained profit for the year	20,000
(vi) Liability for tax	4,000

Required: State which one of the items (i) to (vi) above are - (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves

**C.22.** [ICAI] Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2020 has been given below:

On 1.4.2019 he had a balance of ₹ 2,00,000 advance from customers of which ₹ 1,50,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of ₹ 5,00,000. You are required to compute:

- a. Total income for the year 2019-20.
- b. Total money received during the year if the closing balance in advance from customers account is ₹ 1,70,000.

## FINAL ACCOUNT OF MANUFACTURING ENTITIES

- C.23.** [ICAI] Mr. Vimal runs a factory which produces soaps. Following details were available in respect of his manufacturing activities for the year ended on 31.3.2020:

Opening Work-in-Process (10,000 units)	16,000
Closing Work-in-Process (12,000 units)	20,000
Opening inventory of Raw Materials	1,70,000
Closing inventory of Raw Materials	1,90,000
Purchases	8,20,000
Hire charges of machine @ ₹ 0.60 per unit manufactured	
Hire charges of factory	2,20,000
Direct wages-Contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of Closing W.I.P.	
Repairs and Maintenance	1,80,000
Units produced - 5,00,000 units	

Required: Prepare a Manufacturing Account of Mr. Vimal for the year ended 31.3.2020.

- C.24.** [ICAI] On 31st March, 2020 the Trial Balance of Mr. White were as follows:

### Trial Balance as on 31st March 2020

Particulars	Dr. ₹	Particulars	Cr. ₹
Stock on 1st April 2019			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress	9,500	Bills Payable	7,500
Finished goods	15,500	Sale of Scrap	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500
Telephone, Postage etc.	1,000		
Repairs to Office Furniture	350		
Cash at Bank	17,000		
Office Furniture	10,000		
Repairs to Plant	1,100		
Purchases	85,000		
Plant and Machinery	70,000		
Rent	6,000		
Lighting	1,350		





General Expenses	1,500	
	3,02,800	3,02,800

The following additional information is available:

- Stocks on 31st March, 2020 were:  
Raw Materials ₹16,200 Finished goods ₹18,100 Semi-finished goods ₹ 7,800
- Salaries and wages unpaid for March 2020 were respectively, ₹ 900 and ₹ 2,000 Machinery is to be depreciated by 10% and office furniture by 7 1/2 % Provision for doubtful debts is to be maintained @ 1% of sales
- Office premises occupy 1/4 of total area.
- Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account Trading Account, Profit and Loss Account and the Balance Sheet relating to 31st March 2020.

**C.25. [ICAI]** Mr. Pankaj runs a factory which produces motor spares of export quality. The following details were obtained about his manufacturing expenses for the year ended on 31.3.2020.

W.I.P.	- Opening	3,90,000
	- Closing	5,07,000
Raw Materials	- Purchases	12,10,000
	- Opening	3,02,000
	- Closing	3,10,000
	- Returned	18,000
	Indirect Expenses	48,000
Wages	- direct	2,10,000
	Indirect	48,000
Direct expenses	- Royalty on production	1,30,000
	Repairs and maintenance	2,30,000
	Depreciation on factory shed	40,000
	Depreciation on plant & machinery	60,000
By-product at selling price		20,000

You are required to prepare Manufacturing Account of Mr. Pankaj for the year ended on 31.3.2020

**C.26. [ICAI & Similar in Nov. 2020]** Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by Ms. Shivi related to 2019-20. There are certain figures missing from these accounts

Raw Material A/c

Date	Particulars	₹	Date	Particulars	₹
------	-------------	---	------	-------------	---

To Opening Stock A/c	1,00,000	By Raw Material Consumed	.....
To Creditors A/c	.....	By Closing Stock A/c	.....

## Creditors A/c

Date	Particulars	₹	Date	Particulars	₹
	To Bank A/c	22,00,000		By Balance b/d	15,00,000
	To Balance c/d	6,00,000			

## Manufacturing A/c

Date	Particulars	₹	Date	Particulars	₹
	To Raw Material Consumed	.....		By Trading A/c	17,94,000
	To Wages	3,50,000			
	To Depreciation	2,00,000			
	To Direct Expenses	2,44,000			

## Additional Information

- Purchase of machinery worth ₹ 10,00,000 has been omitted. Machinery are chargeable at a depreciation rate of 10%.
- Wages include the following
  - Paid to Factory Workers - ₹ 3,00,000
  - Paid to labour at office - ₹ 50,000
- Direct Expenses include following:
  - Electricity charges of ₹ 80,000 of which 30% pertained to office.
  - Fuel Charges of ₹ 20,000
  - Freight Inwards of ₹ 35,000
  - Delivery charges to customers - ₹ 20,000.

You are required to prepare revised Manufacturing A/c, and Raw Material A/c

**C.27.** [ICAI] The following is the trial balance of Mr. Pandit for the year ended 31st March, 2020:

## Trial Balance as on 31st March 2020

Particulars	Dr. ₹	Particulars	Cr. ₹
Opening Stock:		Sundry Creditors	50,000

Raw Materials	1,50,000	Purchase Returns	5,000
Finished goods	75,000	Capital	1,00,000
Purchase of Raw Materials	5,00,000	Bills Payable	24,000
Land & Building	1,00,000	Long-Term Loan	2,00,000
Loose tools	30,000	Provision for Bad Doubtful Debts	2,000
Plant & Machinery	30,000	Sales	8,50,000
Investments	25,000	Bank Overdraft	23,000
Cash in Hand	20,000		
Cash at Bank	5,000		
Furniture & Fixtures	15,000		
Bills Receivable	15,000		
Sundry Debtors	40,000		
Drawings	20,000		
Salaries	20,000		
Coal and Fuel	15,000		
Factory rent & rates	20,000		
General Expenses	4,000		
Advertisement	5,000		
Sales Return	10,000		
Bad Debts	4,000		
Direct Wages (Factory)	80,000		
Power	30,000		
Interest Paid	7,000		
Discount Allowed	3,000		
Carriage Inwards	15,000		
Carriage Outwards	7,000		
Commission Paid	5,000		
Dividend Paid	4,000		

**Additional Information:**

- Stock at the end of the year ₹1,00,000
- A provision for doubtful debts. at 5% on Sundry Debtors Interest on Capital at 5% p.a.
- Depreciation on building ₹ 1,000 and ₹ 3,000 on Machinery to be provided
- Accrued commission ₹ 12,500
- Interest has accrued on investment ₹ 15,000
- Salary Outstanding ₹ 2,000
- Prepaid Interest ₹ 1,500

You are required to prepare Manufacturing, Trading and Profit and Loss Account for the year ended 31st March, 2020

# PRACTICE QUESTIONS

P.1. [RTP Nov. 2019] The following are the balances as at 31st March, 2019 extracted from the books of Mr. XYZ.

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

### Additional Information:

- Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725.
- Goods withdrawn by Mr. XYZ for own consumption ₹ 3,500 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to ₹ 450 were included in wages account.
- Free samples distributed for publicity costing ₹ 825
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2019 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2019, and a Balance Sheet as on that date. Also show the rectification entries.

P.2. [May 2019] Following particulars are extracted from the books of Mr. Sandeep for the year



ended 31st December, 2018.

Debit Balances:	Amount	Credit Balances:	Amount
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

**Other information :**

- (i) Closing stock was valued at ₹ 4,500
- (ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.
- (iii) Commission received in advance is ₹ 100.
- (iv) Interest accrued on investment is ₹ 210
- (v) Interest on overdraft is unpaid ₹ 300
- (vi) Reserve for bad debts is to be kept at ₹ 1,000
- (vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

**P.3. [Nov. 2019]** An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit (₹)	Credit (₹)
Provision for Doubtful Debts	250	-
Cash Credit Account	1,654	-
Capital	-	4,591
Trade payables	-	1,637
Due from customers	2,983	-
Discount Received	252	-
Discount Allowed	-	733

Drawings	1,200	-
Office Furniture	2,155	-
Carriage Inward	-	829
Purchases	10,923	-
Returns Inward	-	330
Rent & Rates	314	-
Salaries	2,520	-
Sales	-	16,882
Inventory	2,418	-
Provision for Depreciation on Furniture	364	-
<b>Total</b>	<b>25,033</b>	<b>25,002</b>

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a suspense account

- P.4.** [ICAI] You are required, prepare a Trading and Profit and Loss Account for the year ending 31st March, 2020 and a Balance Sheet as on that date from the Trial Balance given below:

Particulars	₹	Particulars	₹
<b>Debit Balance:</b>			
Trade receivables	3,50,000	Salaries	2,20,000
Inventory 1st April, 2019	5,00,000	Purchases	12,50,00
Cash in Hand	5,60,000	Plant and Machinery	15,70,000
Wages	3,00,000	<b>Credit Balance:</b>	
Bad Debts	50,000	Capital	25,00,000
Furniture and Fixtures	1,50,000	Trade payables	9,00,000
Depreciation	1,50,000	Sales	17,00,000

On 31st March, 2020 the Inventory was valued at ₹10,00,000.

- P.5.** Below is the trial balance of Shah as December 31, 2015

Debit Balance	₹	Credit Balance	₹
Drawings	1,500	Capital Account	50,000
Adjusted purchases	6,99,200	Loan from Desai	
Salaries	4,500	@ 9% (taken on 1st July 2014)	20,000
Carriage on Purchases	400	Sales	7,20,000
on sales	500	Discount	500
Rates and Insurance	400	Sundry Creditors	20,000
Buildings	27,000		

Furniture	6,000	
Sundry Debtors	8,000	
Cash on Hand	250	
Cash at Bank	1,500	
Stock (31st December, 2015)	61,250	
	8,10,500	8,10,500

Rates have been prepaid to the extent of Rs. 175.

1. Bad debts Rs. 500 have to written off. A provision for doubtful debts @ 5% on debtors is necessary.
2. Building has to be depreciated at 2% and Furniture @ 10%.
3. The manager is entitled to a commission of 5% of net profits before charging such commission.

**P.6.** From the following Trial Balance of Hari and additional information prepare Trading and Profit & Loss Account for the year ended 31st March, 2016 and a Balance Sheet as on that date:

**Trial Balance as at 31st March, 2016**

	Dr.(Rs.)	Cr.(Rs.)
Capital -	1,00,000	
Furniture	20,000	-
Purchases	1,50,000	-
Debtors	2,00,000	-
Interest Earned	-	4,000
Salaries	30,000	-
Sales	-	3,21,000
Purchase Returns	-	5,000
Wages 20,000	-	
Rent	15,000	-
Sales Return	10,000	-
Bad Debt Written off	7,000	-
Creditors	-	1,20,000
Drawings	24,000	-
Provision for Bad Debts	-	6,000
Printing & Stationery	8,000	-
Insurance	12,000	-
Opening Stock	50,000	-
Office Expenses	12,000	-
Provision for Depreciation	-	2,000
	5,58,000	5,58,000

**Additional Information's:**

1. Depreciate Furniture by 10% on original cost;

2. A provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors;
3. Salaries for the month of March, 2016 amounting to Rs.3,000 were unpaid which must be provided for. However salaries included Rs.2,000 paid in advance;
4. Insurance amounting to Rs.2,000 is prepaid;
5. Provide for outstanding office expenses Rs.8,000;
6. Stock used for private purpose Rs.6,000;
7. Closing Stock-in-Trade Rs.60,000.

**P.7.** From the following Trial Balance of K. Katrak as on 31-3-2016. Prepare Trading Account, Profit and Loss Account for the year ended 31-3-2016, and a Balance Sheet as on that date after making necessary adjustments:

**Trial Balance**

	Dr. Rs.		Cr. Rs.
K. Katrak's Drawings	12,000	K. Katrak's Capital	60,000
Furniture & Fixtures	4,000	Returns Outward	2,000
Plant & Machinery	30,000	Sales	1,30,000
Opening Stock	20,000	Creditors	12,000
Purchases	80,000	Loan at 6% p.a. taken from	
Salaries and wages	22,400	M. Mehta on 1-10-2015	10,000
Debtors	20,400	Discount	600
Return Inward	5,000		
Postage & telegrams	1,500		
Rent, Rates and taxes	3,600		
Bad debts written off	400		
Trade Expenses	200		
Interest on loan from M. Mehta	150		
Insurance	800		
Travelling Expenses	500		
Sundry Expenses	300		
Cash-in-hand	3,050		
Cash at Bank	10,300		
	2,14,600		2,14,600

**Adjustments**

1. Closing stock was valued at Rs.21,000;
2. Of the debtors Rs.400 are bad and should be written off. Create a reserve for bad debts at 5% on Sundry Debtors and a reserve for discount on Debtors at 2.5%.
3. Salaries Rs.800 for March,16 were not paid.
4. Interest on Capital is to be calculated at 6% p.a. and on drawings Rs.330.
5. Prepaid Insurance amounted to Rs.100.
6. Depreciate Furniture & Fixture by 5% and plant and machinery by 10%.



**P.8. [RTP June 2022]** Mr. Bansal submitted to you the following trial balance, which he has not been able to agree. Rewrite the trial balance and prepare trading and profit and loss account for the year ended 31.3.2021 and a balance sheet as on that date after giving effect to the undermentioned adjustments:

Particulars	Dr.	Cr.
	₹	₹
Capital	-	16,000
Opening stock	17,500	-
Closing stock	-	18,790
Drawings	3,305	-
Returns inward	-	550
Carriage inward	1,240	-
Deposit with X	-	1,400
Returns outward	840	-
Carriage outward	-	725
Rent paid	800	-
Rent outstanding	150	-
Purchases	13,000	-
Sundry debtors	5,000	-
Sundry creditors	-	2,200
Furniture	1,500	-
Sales	-	29,000
Wages	850	-
Cash	1,370	-
Advertisement	950	-
	46,505	68,665

Adjustments:

- Write off ₹ 600 as bad debt and make a provision for doubtful debts at 5% on balance sundry debtors.
- Stock valued at ₹ 2,000 was destroyed by fire on 25th March, 2021, but insurance company admitted a claim for ₹ 1,500 only and paid the sum in April, 2021
- Depreciation to be provided on furniture at 10% per annum.

**P.9. [ICAI]** Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows:

Particulars	₹	Particulars	₹
To Cost of Goods Sold	45,00,000	By Sales	C

To Gross Profit c/d	D	By Gross Profit b/d By Miscellaneous Income	E
	F		D
To Rent A/c	26,00,000		F
To Office Expenses	13,00,000		
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	A		
	G		60,00,000

Commission is charged at the rate of 10%. Selling Expenses amount to 1% of total sales. You are required to compute the missing figures.

**P.10.** [Nov. 2020] Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount	Particulars	Amount
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount	Particulars	Amount
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount	Particulars	Amount
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
To Direct Expenses	2,49,000		

Additional Information:

- Purchase of machinery worth ₹ 12,00,000 on 1st April; 2019 has been omitted, Machinery is chargeable at a depreciation rate of 15%.
- Wages include the following:
 

Paid to factory workers	- ₹ 3,15,000
Paid to labour at office	- ₹ 50,000

Direct expenses included the following

Electricity charges	- ₹ 80,000 of which 25% pertained to office Fuel charges
	- ₹ 25,000
Freight inwards	- ₹ 32,000 Delivery charges to customers - ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c.

P.11. [Dec. 2021] On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹)	Particulars	Credit (₹)
Stock on 1/4/2020		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchase	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plan and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

The following additional information is available:

Stocks on 31st March, 2021 were:

Raw material	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31st March,2021 were respectively, ₹ 9,000 and ₹ 20,000. Machinery is to be depreciated by 10% and office furniture by  $7\frac{1}{2}\%$ . A provision for doubtful debts is to be maintained @1% of sales. Rent is to be charged as to  $\frac{3}{4}$  to factory and  $\frac{1}{4}$  to office. Lighting is to be charged as to  $\frac{2}{3}$  to factory and  $\frac{1}{3}$  to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March,2021.