

Final A/cs of Sole Proprietor

Financial accounting is a well-defined sequential activity which begins with Journal (Journalizing), Ledger (Posting), and preparation of Trial Balance (Balancing and Summarization at the first stage). The next step in this process is the preparation of financial statements.

The **basic objectives** of preparing financial statements are:

- (a) To present a true and fair view of the financial performance of the business;
- (b) To present a true and fair view of the financial position of the business.

For this purpose, the firm usually prepares the following financial statements:

1. **Trading Account**
2. **Profit & Loss Account**
3. **Balance Sheet**

Trading and Profit & Loss account, also known as Income statement, shows the financial performance in the form of profit earned or loss sustained by the business. Balance Sheet shows financial position in the form of assets, liabilities and capital. These are prepared on the basis of trial balance and additional information, if any.

Trading and Profit and Loss Account

Trading account and Profit & Loss account is prepared to determine the profit earned or loss sustained by the business enterprise during the accounting period. It is basically a summary of revenues and expenses of the business and calculates the net figure termed as profit or loss. Profit is revenue *less* expenses. If expenses are more than revenues, the figure is termed as loss. Trading and Profit & Loss account summarizes the performance for an accounting period. It is achieved by transferring the balances of revenues and expenses to the trading and profit & loss account from the trial balance. Trading and Profit & Loss account is a Nominal account with Debit and Credit sides. The debit side represents all expenses and losses and the credit side represents all revenues and profits.

Trading account is prepared by a trader or seller or a trading entity. This account shows the actual gross profit margin earned by a trader solely from the trading activity undertaken during the year. In case the gross profit margin is not sufficient enough to cover the other administrative or selling and distribution expenses along with financial and personnel expenses, the business will incur loss. The trader should analyze and make sure that the gross margin earned should cover all the other indirect expenses.

Profit & Loss account shows the net profit earned by the businessman. It is the net actual money earned by him which is after all expenses representing his take home money. All the expenses and incomes that do not form a part of trading account are listed in this account.

Debit Side of Trading Account

1. Opening Stock
2. Net purchases (Total purchases - purchase return)
3. Direct Expenses

4. Gross profit (Credit side total minus debit side total)

Opening Stock: The term Opening Stock refers to stock on hand at the beginning of the year which includes raw materials, work-in-progress and finished goods.

Net Purchases: Purchases include both cash and credit purchase of goods. If any purchase is returned, the same will be deducted from gross purchases.

Direct Expenses: Direct expenses are chargeable expenses or productive expenses which include factory rent, wages, freight on purchases, manufacturing expenses, factory lighting, heating, fuel; customs import duty, dock charges and packing expenses. In short, all those expenses incurred in bringing the raw materials to the factory and converting them into finished goods will constitute the direct expenses that are to be shown on the debit side of the trading account.

Credit Side of Trading Account

1. Net Sales (Gross sales - sale return)
2. Closing Stock
3. Gross Loss (Debit side total minus credit side total)

Net Sales: The term sales refer to the total of sales of goods which include both cash sales and credit sales during the particular period. If any goods are returned from the customers, they will be deducted from the total sales.

Closing Stock: Closing Stock refers to the goods remaining unsold at the end of the particular period. The closing stock may be raw materials, work-in-progress and finished goods. Generally closing stock does not appear in the Trial Balance. Therefore, the closing stock is not brought into the books of accounts but it is credited to Trading Account and also recorded in the assets side of the Balance Sheet.

The value of closing stock is ascertained by means of stock taking and the value is brought in the books by means of an adjusting entry as:

Closing Stock A/c.	Dr.
To Trading A/c.	

The closing stock is valued at cost price or market price whichever is less.

The determination of Gross Profit or Gross Loss is done by preparation of Trading Account. But it does not reveal the Net Profit or Net Loss of a concern during the particular period. This is the second part of the income statement and is called Profit and Loss Account.

The purpose of preparing the profit and loss account is to calculate the Net Profit or Net Loss of a concern. Net profit refers to the surplus which remains after deducting related trading expenses from the Gross Profit. The trading expenses refer to all office and administrative expenses, selling and distribution expenses. In other words, all operating expenses such as office and administrative expenses, selling and distribution expenses and non-operating expenses are shown on the debit side and all operating and non-operating gains and incomes are shown on the credit side of the Profit and Loss Account. The difference of two sides is either Net Profit or Net Loss.

Accordingly, when total of all operating and non-operating expenses is more than the Gross Profit and other non-operating incomes, the difference is the Net Profit and in the reverse case it is known as Net Loss. This Net Profit or Net Loss is transferred to the Capital Account of Balance Sheet.

Trading Account
(For the year ended 31st March 20xx)

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Opening Stock	xxx	By Net Sales:	xxx
To Net Purchases:	xxx	Gross Sales	
Gross Purchases		(-) Return Inwards	
(-) Return Outwards		By Closing Stock	xxx
To Direct Expenses:	xxx	By Gross Loss*	xxx
Carriage Inwards			
Wages			
Freight Inwards			
Import Duty			
Fuel & Power			
Coal, Coke, Water			
Factory Expenses			
Consumable Stores			
Royalty on Production			
Other Direct Expenses			
To Gross Profit*	xxx		
Total	xxxx	Total	xxxx

*Any One

Debit Side of Profit and loss account

1. Gross loss transferred from trading account (if any)
2. All indirect expenses like administrative expenses, selling and distribution expenses, office expenses, financial expenses and legal expenses
3. If credit side is more than debit side, we show net profit in debit side

The indirect expenses may be classified into:

1. Operating Expenses
2. Non-Operating Expenses.

Operating Expenses: It refers to those expenses as the day-to-day expenses of operating a business and includes office & administrative expenses, selling and distribution expenses.

Non-Operating Expenses: Those expenses incurred other than operating expenses. Non-Operating expenses which are related to financial nature. For example, interest payment on loans and overdrafts, loss on sale of fixed assets, writing off fictitious assets such as preliminary expenses, under writing commission etc.

Credit Side of Profit and Loss account

1. Gross profit transferred from trading account (if any)
2. Indirect Incomes like rent, commission, discount received
3. If debit side is more than credit side, we show net loss in credit side.

Operating Income: It refers to income earned from the operation of the business excluding Gross Profit and Non-Operating incomes.

Non-Operating Income: Non-Operating incomes refer to other than operating income. For example, interest on investment of outside business, profit on sale of fixed assets and dividend received etc.

Profit & Loss Account
(For the year ended 31st March 20xx)

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Gross Loss*	xxx	By Gross Profit*	xxx
To Office & Administrative Expenses:	xxx	By Non-Operating Incomes:	xxx
Office Salaries		Interest Received	
Office Rent and Rates		Discount Received	
Printing and Stationery		Dividend Received	
Telephone Charges		Income from Investment	
Legal Charges		Rent Received	
Audit fees		Profit on sale of Asset	
General Expenses		Any other incomes	
To Selling Expenses:	xxx	By Net Loss#	xxx
Advertisement			
Discount Allowed			
Commission Paid			
Salesmen Salaries			
Godown Rent			
Bad Debts			
Carriage Outward			
Agent Commission			
Traveling Expenses			
To Distribution Expenses:	xxx		
Depreciation on Vehicle			
Upkeep of Motor Van			
Travelers' Salaries			
Repairs and Maintenance			
To Financial Expenses:	xxx		
Bank Interest			
Bank Charges			
Interest on Loan			
To Loss on sale of Asset	xxx		
To Depreciation and Amortization	xxx		
To Net Profit#	xxx		
Total	xxxx	Total	xxxx

*# Any One

Balance Sheet

According to AICPC (The American Institute of Certified Public Accountants), Balance Sheet is defined as a tabular Statement of Summary of Balances (Debit and Credits) carried forward after an actual and constructive closing of books of accounts and kept according to principles of accounting. The purpose of preparing balance sheet is to know the true and fair view of the status of the business as a going concern during a particular period.

The balance sheet is one of the important statements which is used by owners or investors to measure the financial soundness of the concern as a whole. A statement prepared to show the list of liabilities and capital having credit balances of the business on the left-hand side and list of assets and other debit balances are recorded on the right-hand side is known as "Balance Sheet."

The Balance Sheet is also described as a statement showing the sources of funds and application of funds. In other words, liability side shows the sources from where the funds for the business were obtained and the assets side shows how the funds were utilized in the business.

Accordingly, it describes all the assets owned by the concern and all the liabilities and claims it owes to owners and outsiders.

Items which are generally included in a balance sheet are explained below:

1. **Current Assets:** Current assets are those which are either in the form of cash or a can be converted into cash within a year. The examples of such assets are cash in hand/bank, bills receivable, stock of raw materials, semi-finished goods and finished goods, sundry debtors, short term investments, prepaid expenses, etc.
2. **Current Liabilities:** Current liabilities are those liabilities which are expected to be paid within a year and which are usually to be paid out of current assets. The examples of such liabilities are bank overdraft, bills payable, sundry creditors, short-term loans, outstanding expenses, etc.
3. **Fixed Assets:** Fixed assets are those assets, which are held on a long-term basis in the business. Such assets are not acquired for the purpose of resale, e.g. land, building, plant and machinery, furniture and fixtures, etc. Sometimes the term 'Fixed Block' or 'Block Capital' is also used for them.
4. **Intangible Assets:** These are such assets which cannot be seen or touched. Goodwill, Patents, Trademarks are some of the examples of intangible assets.
5. **Investments:** Investments represent the funds invested in government securities, shares of a company, etc. They are shown at cost price. If, on the date of preparation the balance sheet, the market price of investments is lower than the cost price, a footnote to that effect may be appended to the balance sheet.
6. **Long-term Liabilities:** All liabilities other than the current liabilities are known as long-term liabilities. Such liabilities are usually payable after one year of the date of the balance sheet. The important items of long-term liabilities are long-term loans from bank and other financial institutions.
7. **Capital:** It is the excess of assets over liabilities due to outsiders. It represents the amount originally contributed by the proprietor/ partners as increased by profits and interest on capital and decreased by losses drawings and interest on drawings.

8. **Drawings:** Amount withdrawn by the proprietor is termed as drawings and has the effect of reducing the balance on his capital account. Therefore, the drawings account is closed by transferring its balance to his capital account. However, it is shown by way of deduction from capital in the balance sheet

Marshalling and Grouping of Assets and Liabilities

A major concern of accounting is about preparing and presenting the financial statement. The information so provided should be useful for the users. Therefore, it becomes necessary that the items appearing in the balance sheet should be properly grouped and presented in a particular order. The assets and liabilities are arranged either in the order of liquidity or permanence in the balance sheet. Arrangement of assets and liabilities in a particular order is known as Marshalling.

The assets account of the relatively permanent nature would continue in the business for a longer time whereas the less permanent or more liquid accounts will change their forms in the near future and are likely to become cash or cash equivalent.

In case of permanence, the most permanent asset or liability is put on the top in the balance sheet and thereafter the assets are arranged in their reducing level of permanence. Format of Balance sheet in this case is given below.

Balance Sheet
(As on 31st March 20xx)

Liabilities	Amount	Assets	Amount
Capital:	xxx	Fixed Assets:	xxx
Add: Net Profit/(Net Loss)		Goodwill	
Add: IOC/(IOD)		Patents	
Less: Drawings		Plant & Machinery	
Reserves & Surplus	xxx	Land & Building	
Long-term Liabilities:	xxx	Furniture & Fixtures	
Loan from Bank		Investments	xxx
Mortgage Loans		Current Assets:	xxx
Current Liabilities:	xxx	Cash in hand	
Sundry Creditors		Cash at bank	
Bills Payable		Sundry Debtors	
Outstanding Expenses		Bills Receivable	
		Closing Stock	
		Prepaid Expenses	
Total	xxxx	Total	xxxx

In case of liquidity, the order is reversed and the above balance sheet will be presented in reverse order.

ADJUSTMENT ENTRIES

The preparation of income statements, i.e., Trading, Profit and Loss Account and Balance Sheet is the last stage of accounting process. According to the principles of double entry system of accounting all the expenses and incomes relating to a particular period whether incurred or not should be taken into account. In order to give the true and fair view of the state of affairs of the business concern, it is essential to consider various adjustments while preparing Trading, Profit and Loss Account and Balance Sheet.

The need for making such adjustments arises due to any errors or omissions in the journal or ledger accounts, rectification entries, adjustments in relation to depreciation, creation of provisions or reserves etc.

The following are the various adjustments that are required to be made:

No.	Nature of Adjustment	Journal Entry	Debit Effect	Credit Effect
1	Closing Stock	Closing Stock A/c Dr. To Trading A/c	Closing Stock is shown on the asset side of balance sheet	Trading account is credited with the amount of closing stock
2	Outstanding Expense	Expense A/c Dr. To Expense O/s A/c	The outstanding expense amount is added to the expense account either in trading account or P&L account	The amount of outstanding expense is shown on the liability side of the balance sheet
3	Prepaid Expense	Prepaid Expense A/c Dr. To Expense A/c	The amount of prepaid expense is shown on the asset side of the balance sheet	The amount of prepaid expense is reduced from the respective expense account either in trading account or P&L account
4	Accrued Income	Accrued Income A/c Dr. To Income A/c	The amount of Accrued income is shown on the asset side of the balance sheet	The amount of accrued income is added to the respective income account either in trading account or P&L account
5	Income in advance	Income A/c Dr. To Income in Advance A/c	The amount of income in advance is reduced from the respective income account either in trading account or P&L account	The amount of income in advance is shown on the liability side of the balance sheet

6	Mutual Indebtedness	Sundry Creditor A/c Dr. To Sundry Debtor A/c (Entry with the least amount)	Reduce the amount from sundry creditors in balance sheet	Reduce the amount from sundry debtors in balance sheet
7	Depreciation	Depreciation A/c Dr. To Fixed Asset A/c	Depreciation is shown as expense in the P&L account	Reduce the amount of depreciation from the respective fixed asset account in balance sheet
8	Interest on Capital	IOC A/c Dr. To Capital A/c	IOC is shown as expense in the P&L account	Add the amount of IOC in the capital account in balance sheet
9	Interest on Drawings	Capital A/c Dr. To IOD A/c	IOD is shown as an income in the P&L account	Reduce the amount of IOD from the capital account in balance sheet
10	Goods withdrawn by proprietor	Drawings A/c Dr. To Purchases A/c	Reduce the amount of goods withdrawn from the capital account in balance sheet	Reduce the amount of goods withdrawn from the purchases account in trading account
11	Goods distributed as sample/charity	Advertisement expenses or Donation A/c Dr. To Purchases A/c	Goods distributed as sample or charity is shown as expense in the P&L account	Reduce the amount of goods distributed from the purchases account in trading account
12	Goods in transit	Goods in Transit A/c Dr. To Trading A/c	GIT is shown on the asset side of balance sheet	Trading account is credited with the amount of GIT
13	Manager's Commission	Manager's Comm. A/c Dr. To Comm. Payable A/c	Manager's Commission is shown as expense in the P&L account	Commission payable is shown on the liability side of balance sheet
	As a % of NP before charging such Commission		$\frac{NP * Rate}{100}$	
	As a % of NP after charging such Commission		$\frac{NP * Rate}{(100 + Rate)}$	

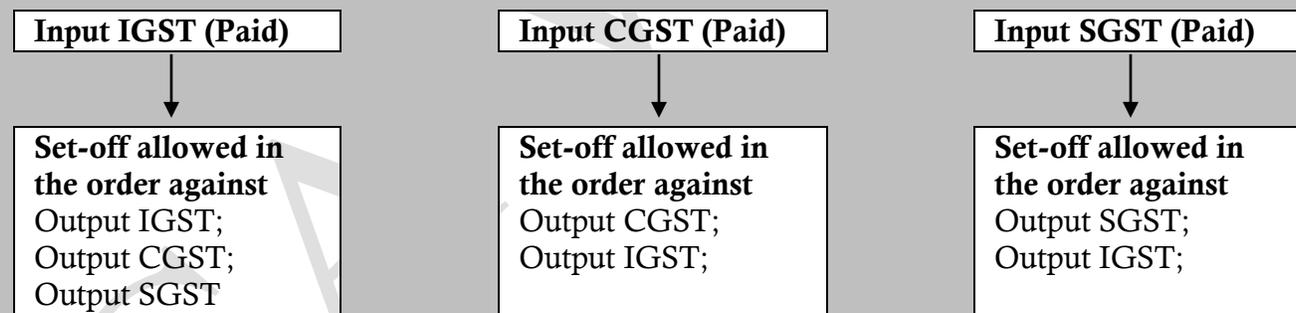
14	Further Bad Debts	Bad Debts A/c Dr. To Sundry Debtors A/c	Further bad debts amount is added to the bad debts account in P&L account	Further bad debts amount is reduced from the sundry debtors in balance sheet
15	Provision for Bad debts	P&L A/c Dr. To Prov for B/D A/c	Show the provision amount of the debit side of P&L account. From this figure reduce the old provision balance or show the old provision balance on credit side of P&L account	Reduce the provision amount as calculated from the sundry debtors in the balance sheet
16	Provision for discount on debtors	P&L A/c Dr. To Prov for Discount A/c	Show the provision amount of the debit side of P&L account. From this figure reduce the old provision balance or show the old provision balance on credit side of P&L account	Reduce the provision amount as calculated from the sundry debtors in the balance sheet
	Sundry debtors to be shown in balance sheet (after adjustment of point 14,15,16 in proper order)		Sundry Debtors Less: Further Bad Debs (point 14) Less: New Prov for B/D (point 15) Less: New Prov for Disc. (point 16)	
17	Loss of goods uninsured	Loss by fire/theft A/c Dr. To Purchases A/c	Loss is shown on the debit side of P&L account	Reduce the loss from purchases in trading account
18	Loss of goods fully insured	Insurance claim A/c Dr. To Purchases A/c	Ins. Claim admitted by company is shown on the asset side of balance sheet	Reduce the value of goods lost from purchases in trading account
19	Loss of goods partly insured	Loss by fire/theft A/c Dr. Insurance claim A/c Dr. To Purchases A/c	Loss is shown on the debit side of P&L account and Ins. Claim admitted by company is shown on the asset side of balance sheet	Reduce the value of goods lost from purchases in trading account

20	Sale of Goods on Approval Basis, approval not yet Received	Usually, it is not given in Trial Balance, These may have been treated as sales by mistake even when the customer has the time for approval or return.	<ol style="list-style-type: none"> 1. Reduce the sale price of goods from the vale of sales in the trading account. 2. Value of stock is shown on the asset side of BS at cost price of stock. 	<ol style="list-style-type: none"> 1. Reduce the sale price of goods from the debtors amount in BS. 2. Trading account is credited with the amount of cost price of stock.
21	Other Adjustments	There may be some adjustments for rectification of errors or omissions at the time of preparing final accounts. For all those adjustments journal entry should be passed to identify the accounts involved. Thereafter make necessary adjustments in those accounts. It should be remembered that in all cases there will be minimum 2 adjustments either in trading account, P&L account or balance sheet.		

SET-OFF OF GST

Goods and Services Tax (GST) Paid on purchases of goods and/or services or both are set off against GST Collected on sale (supply) of goods and/or services or both.

The order in which it can be set-off is:



Cross utilization of CGST and SGST inputs credits are not allowed. IGST Credit has to be first utilized fully before credit of CGST and SGST can be used.

When the final accounts are prepared, the balances in GST accounts should be set-off as per the above rule and only the net balance of IGST, CGST and SGST are to be shown.

The credit balance in the accounts will represent Liability and Debit balance will represent Asset.

Test Your Knowledge & Practice

Trading Account

1. From the following information, prepare a Trading Account for the year ending 31st March, 2023 and also pass the closing Journal Entries.

Particulars	₹	Particulars	₹
Opening Stock	22,400	Returns (Cr.)	1,000
Purchases	81,000	Factory Rent	8,000
Factory Expenses	11,500	Carriage on Sales	3,600
Carriage on Purchases	3,400	Salaries and Wages	13,000
Sales	1,52,000	Depreciation	2,000
Returns (Dr.)	2,000		

Stock on 31st March, 2023 was ₹ 30,500.

(Ans: Gross Profit: ₹ 55,200)

2. Prepare the Trading Account for the year ending 31st March, 23 from the following information: Opening stock ₹ 50,000; Wages and Salaries ₹ 15,000; Carriage Inward ₹ 12,000; Cash Sales ₹ 70,000; Credit Sales ₹ 4,30,000; Cash Purchases ₹ 55,000; Credit Purchases ₹ 2,25,000; Purchases Return ₹ 15,000; Octroi ₹ 20,000; Sales Return ₹ 11,000; Cost of Closing Stock as on 31st March, 2022 ₹ 60,000, but its market value is ₹ 35,000.
(Ans: Gross Profit: ₹ 1,62,000)

3. From the following information, prepare a Trading Account of M/s. ABC Traders for the year ended 31st March, 2022 and Pass closing entries in the journal proper of M/s. ABC Traders. **(ICAI Module)**

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

(Ans: Gross Profit: ₹ 4,20,000)

4. From the following information, prepare the Trading Account for the year ending 31st March, 2023.

Particulars	₹	Particulars	₹
Opening Stock	1,50,000	Purchases	10,00,000
Dock charges	4,000	Insurance Premium	18,000
Sales	12,60,000	Purchases Return	10,000
Carriage Inward	3,000	Freight and Octroi	16,500
Sales Return	20,000	Coal, Gas and Water	13,500
Wages	23,000		

Stock on 31st March, 2023 was ₹ 84,000.

(Ans: Gross Profit: ₹ 1,24,000)

5. From the following particulars, prepare Trading Account for the year ended 31st March, 2023.

Particulars	₹
Adjusted Purchases	2,20,000
Wages	16,000
Octroi	17,000

Cartage	14,000
Sales	3,70,000
Closing Stock	35,000
Sales Return	20,000

(Ans: Gross Profit: ₹ 83,000)

Profit and Loss Account

6. From the following information, prepare a Profit and Loss Account for the year ending 31st March, 2023.

Particulars	₹	Particulars	₹
Gross Profit	62,000	Depreciation	4,000
Rent	10,000	Interest (Cr.)	1,200
Taxes	3,600	Audit Fees	1,000
Commission	2,500	Lighting	1,000
Repairs	5,000	Printing and Stationery	2,500
Carriage Outward	3,500	Postage and Telegram	1,500
Salaries and Wages	16,000		

(Ans: Net Profit: ₹ 12,600)

7. Prepare a Profit and Loss Account for the year ending 31st March, 2023 from the following information:

Particulars	₹	Particulars	₹
Gross Profit	2,27,600	Discount Allowed	1,000
Audit Fees	1,500	Postage and Telegram	600
Trade Expenses	2,000	Fire Insurance Premium	1,200
Carriage Outward	7,000	Travelling Expenses	2,800
Advertisement	6,500	Office Expenses	10,000
Repairs	5,000	Interest received	1,000
Salaries	12,000	Discount Received	2,000

(Ans: Net Profit: ₹ 1,81,000)

8. Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2022. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.

Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2022 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.

(ICAI Module)

(Ans: Net Profit: ₹ 43,000)

9. From the following details, prepare Trading and Profit and Loss Account for the year ending 31st March, 2023. Also pass the Closing Entries.

Particulars	₹	Particulars	₹
Opening Stock	4,000	Trade Expenses	1,000
Purchases	35,000	Rent and Taxes	1,500
Sales Return	1,500	Purchases Return	500
Carriage	500	Sales	53,000
Wages	1,500	Commission Received	1,500
Repairs	400	Interest on Bank Loan	1,000
Printing and Stationery	1,100		

Stock at the end was ₹ 5,000.

(Ans: Gross Profit: ₹ 16,000; Net Profit: ₹ 12,500)

Balance Sheet

10. Prepare a Balance Sheet as at 31st March, 2023 from the following information:

Particulars	₹	Particulars	₹
Capital	2,50,000	Creditors	52,000
Cash in Hand	40,000	Outstanding Expenses	25,000
Cash at Bank	30,000	Drawings	10,000
Closing Stock	20,000	Investments	15,000
Fixed Assets	2,94,000	Net Profit	70,000
Bills Payable	21,000	Bank Overdraft	13,000
Debtors	22,000		

(Ans: Balance Sheet Total: ₹ 4,21,000)

11. From the following balances of Shakti Traders, prepare a Balance Sheet as at 31st March, 2023 by arranging the assets and liabilities:

(i) in order of 'Permanence'; and (ii) in order of 'Liquidity':

Particulars	₹	Particulars	₹
Land and Building	2,00,000	Loan from Bank	3,00,000
Computers	70,000	Outstanding Expenses	1,200
Furniture	55,000	Drawings	72,000
Creditors	80,000	Net Profit	43,300
Debtors	72,000	Investments	1,50,000
Closing Stock	1,25,000	Bills Payable	25,300
Bills Receivable	15,500	Cash in Hand	15,700
Prepaid Expenses	3,600	Capital	4,50,000
Bank	16,000	Machinery	85,000
Income Received in Advance	2,000	Motor Car	22,000

(Ans: Balance Sheet Total: ₹ 8,29,800)

Trading A/c, Profit & Loss A/c and Balance Sheet

12. You are required, prepare a Trading and Profit and Loss Account for the year ending 31st March, 2022 and a Balance Sheet as on that date from the Trial Balance given below: **(ICAI Module)**

Particulars	₹	Particulars	₹
Debit Balance:			
Trade receivables	3,50,000	Salaries	2,20,000
Inventory 1st April, 2021	5,00,000	Purchases	12,50,000
Cash in Hand	5,60,000	Plant and Machinery	15,70,000
Wages	3,00,000	Credit Balance:	
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, 2022 the Inventory was valued at ₹10,00,000.

(Ans: Gross Profit: ₹ 6,50,000; Net Profit: ₹ 2,30,000; Balance Sheet Total: ₹ 36,30,000)

13. Prepare Trading and Profit and Loss Account and Balance Sheet of Amit Shah as at 31st March, 2023 from the following balances:

Particulars	₹	Particulars	₹
Capital (Cr.)	3,600	Salaries	600
Machinery	700	General Expenses	200
Sales	8,200	Rent	500
Purchases	4,000	Purchases Return	50

Sales Return	100	Debtors	3,000
Stock on 1st April, 2022	1,000	Cash	400
Drawings	400	Carriage Outwards	200
Wages	1,000	Advertising	200
Carriage Inwards	50	Creditors	500

The Closing Stock was valued at ₹ 2,000.

(Ans: Gross Profit: ₹ 4,100; Net Profit: ₹ 2,400; Balance Sheet Total: ₹ 6,100)

14. From the following balances, prepare Trading and Profit and Loss Account and Balance Sheet:

Particulars	₹	Particulars	₹
Machinery	3,500	Rent	450
Debtors	2,700	Sundry Expenses	200
Drawings	900	Carriage	150
Purchases	9,500	Capital A/c	10,000
Wages	5,000	Creditors	1,400
Bank	1,500	Sales	14,500
Opening Stock	2,000	Closing Stock	300

(Ans: Gross Loss: ₹ 1,850; Net Loss: ₹ 2,500; Balance Sheet Total: ₹ 8,000)

15. The following are the balances as on 31st March, 2023 extracted from the books of Roshan Lal:

Particulars	₹	Particulars	₹
Sales	92,000	Postage and Telegrams	620
Purchases	68,300	Miscellaneous Expenses	900
Returns Inward	1,300	Bad Debts	400
Returns Outward	2,200	Debtors	22,000
Stock	17,600	Creditors	12,800
Carriage Inwards	2,400	Loan (Cr.)	5,000
Rent, Rates and Taxes	2,200	Capital	52,500
Discount	3,750	Drawings	1,910
Printing	720	Business Premises	39,000
Insurance	500	Office Furniture	1,500
Travelling Expenses	1,400		

The stock on 31st March, 2023 was ₹ 24,000.

You are required to prepare Trading Account, Profit and Loss Account and Balance Sheet as at 31st March, 2023.

(Ans: Gross Profit: ₹ 28,600; Net Profit: ₹ 18,110; Balance Sheet Total: ₹ 86,500)

16. From the following balances taken from the books of Mohan & Co., prepare Trading and Profit and Loss Account for the year ended 31st March, 2023 and Balance Sheet as at that date:

Particulars	₹	Particulars	₹
Capital	3,50,000	Salaries	11,100
Building	1,87,500	Discount Allowed	2,000
Machinery	92,500	Stock (1st April, 2022)	1,65,000
Debtors	70,000	Bills Payable	50,000
General Expenses	8,000	Sales	6,35,000
Rent Paid	37,100	Purchases	4,68,500
Proprietor's Drawings	6,500	Wages	25,000
Electricity Charges	1,900	Cash in Hand	18,000
Carriage Inwards	8,500	Sundry Creditors	1,00,000
Cash at Bank	30,000	Returns Inward	4,500
Returns Outward	1,100	Closing Stock	1,82,100

(Ans: Gross Profit: ₹ 1,46,700; Net Profit: ₹ 86,600; Balance Sheet Total: ₹ 5,80,100)

17. Trial Balance of Shibu Lal on 31st March, 2023 revealed the following balances:

Particulars	₹	Particulars	₹
Plant & Machinery	90,000	Freight Outwards	1,200
Purchases	58,000	Rent, Rates and Taxes	2,000
Sales Return	1,000	Advertisement	2,000
Opening Stock	40,000	Cash at Bank	6,900
Discount Allowed	350	Capital A/c	1,10,000
Bank Charges	75	Sales	1,27,000
Sundry Debtors	45,000	Purchases Return	1,275
Salaries	6,800	Discount Received	800
Wages	10,000	Sundry Creditors	25,000
Freight Inwards	750	Closing Stock	35,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2023 and Balance Sheet as at that date.

(Ans: Gross Profit: ₹ 53,525; Net Profit: ₹ 41,900; Balance Sheet Total: ₹ 1,76,900)

18. The following balances were extracted from the books of Ashok Kumar on 31st March, 2023:

Particulars	₹	Particulars	₹
Capital	24,500	Loan	7,880
Drawings	2,000	Sales	65,360
General Expenses	2,500	Purchases	47,000
Building	11,000	Motor Car	2,000
Machinery	9,340	Reserve Fund (Cr.)	900
Stock on 1 st April 2022	16,200	Commission (Cr.)	1,320
Power	2,240	Car Expenses	1,800
Taxes and Insurance	1,315	Bills Payable	3,850
Wages	7,200	Cash	80
Debtors	6,280	Bank Overdraft	3,300
Creditors	2,500	Charity	105
Bad Debts	550	Stock on 31 st March, 2023	23,500

Prepare final accounts for the year ended 31st March, 2023.

(Ans: Gross Profit: ₹ 16,220; Net Profit: ₹ 11,270; Balance Sheet Total: ₹ 52,200)

19. From the following Trial Balance of Mr. Saurav, prepare Trading and Profit and Loss Account for the year ended 31st March, 2023 and Balance Sheet as at that date:

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Building	1,60,000	
Wages	26,000	
Machinery	16,000	
Salaries and Wages	41,600	
Debtors	33,700	
Capital		2,23,100
Purchases/Sales	56,500	1,00,700
Creditors		12,500
Income Tax	2,000	
Drawings	500	
Total:	3,36,300	3,36,300

Closing Stock at cost ₹ 1,00,000 but at market price ₹ 88,500.

(Ans: Gross Profit: ₹ 1,06,700; Net Profit: ₹ 65,100; Balance Sheet Total: ₹ 2,98,200)

20. Following is the Trial Balance of Ashutosh at 31st March, 2023. Draw the final accounts from the balances there from:

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Capital		1,50,000
Stock on 1st April, 2022	30,000	
Cash at Bank	10,000	
Cash in Hand	5,000	
Machinery	1,00,000	
Furniture	13,000	
Purchases	2,00,000	
Wages	50,000	
Carriage	33,000	
Salaries	70,000	
Discount Allowed	4,000	
Discount Received		5,000
Advertising	50,000	
Office Expenses	40,000	
Sales		5,00,000
Sundry Debtors	90,000	
Sundry Creditors		47,000
Input CGST A/c	10,000	
Input SGST A/c	10,000	
Input IGST A/c	15,000	
Output CGST A/c		8,000
Output SGST A/c		8,000
Output IGST A/c		12,000
Total:	7,30,000	7,30,000

The Value of Closing Stock on 31st March, 2023 was ₹ 50,000 having market value of ₹ 65,000.

(Ans: Gross Profit: ₹ 2,37,000; Net Profit: ₹ 78,000; Balance Sheet Total: ₹ 2,75,000)