

**11**  
CHAPTER**ACCOUNTS FORM INCOMPLETE  
RECORDS**

**Q.1** Raju does not maintain proper records of his business. However, he provides the following information: ₹

Opening capital	10,000
Closing capital	12,500
Drawing during the year	3,000
Capital added during the year	3,750
You are required to calculate the profit or loss for the year	

**Ans**

**Computation of Profit or Loss during the year**

	₹
Closing Capital	12,500
Add: Drawings during the year	<u>3,000</u>
	15,500
Less: Additional capital during the year	(3,750)
Less: opening capital	<u>(10,000)</u>
Net Profit for the year	<u>1,750</u>

**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
		<b>By Net Profit (Bal Fig)</b>	<b>1,750</b>
	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.



- (v) 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
		Bills receivable	xx
		Loans and advances	xx
		Cash and bank	xx
		Prepaid expenses	xx
	<b>xx</b>		<b>xx</b>

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

- Q.2 Rakesh started his business on 1st of April 2021. He invested a capital of Rs 1,00,000. On 31st March 2022, 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 2022.

**Ans**

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 31st March 2022 1,32,000

Add: Drawings made during the year 24,000

Total 1,56,000

Less: Opening Capital as at 1st April 2021 (1,00,000)

Profit for the year ended 31st March 2022 56,000

**Q.3 Assets and Liabilities of Mr. X as on 31-03-2021 and 31-03-2022 are as follows:**

	31-03-2021	31-03-2022
	₹	₹
<b>Assets</b>		
<b>Building</b>	1,00,000	?
<b>Furniture</b>	50,000	?
<b>Inventory</b>	1,20,000	2,70,000
<b>Sundry debtors</b>	40,000	90,000
<b>Cash at bank</b>	70,000	85,000
<b>Cash in hand</b>	1,200	3,200
<b>Liabilities</b>		
<b>Loans</b>	1,00,000	80,000
<b>Sundry creditors</b>	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 31-03-2021 and 31-03-2022.

**Ans**

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

**Q.4** Take figures given in Illustration 4. Find out profit of Mr. X for the year ended 31-03-2022.

**Ans**

Determination of Profit by applying the method of the capital comparison

	₹
Capital Balance as on 31-03-2022	4,40,700
Less: Fresh capital introduced	(40,000)
	4,00,700
Add: Drawings (₹ 2000 × 12)	24,000
Less: Capital Balance as on 31-03-2021 Profit	4,24,700
	(2,41,200)
	1,83,500

Note:

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

ALTERNATIVELY

Capital account can be prepared as follows:

Particulars	₹	Particulars	₹
To drawings	24,000	By Balance b/d	2,41,200
To Balance c/d	4,40,700	By additional capital	40,000
		By Net Profit (Bal Fig)	1,83,500
	4,64,700		4,64,700

**Q.5** The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2020-2021 and 2021-2022 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2020 and 1st April, 2022

			₹
1-4-2020	Assets	:	
		Cash in hand	25,500
		Inventory	56,000
		Sundry debtors	41,500
		Land and Building	1,90,000
		Wife's Jewellery	75,000
	Liabilities	:	
		Owing to Moti's Brother	40,000
		Sundry creditors	35,000
1-4-2022	Assets	:	
		Cash in hand	16,000
		Inventory	91,500

	Sundry debtors	52,500
	Land and Building	1,90,000
	Motor Car	1,25,000
	Wife's Jewellery	1,25,000
	Loan to Moti's Brother	20,000
<b>Liabilities :</b>	Sundry creditors	55,000

During the two years the domestic expenditure was ₹ 4,000 p.m. The declared incomes of the financial years were ₹ 1,05,000 for 2020-2021 and ₹ 1,23,000 for 2021-2022 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings.

**Ans**

Calculation of Capital of Shri Moti

	₹	1-4-2020₹	₹	1-4-2022₹
<i>Assets</i>				
Cash in hand		25,500		16,000
Inventory		56,000		91,500
Sundry debtors		41,500		52,500
Land & Building		1,90,000		1,90,000
Wife's Jewellery		75,000		1,25,000
Motor Car		—		1,25,000
Loan to Moti's Brother		—		20,000
		3,88,000		6,20,000
<i>Liabilities:</i>				
Owing to Moti's Brother	40,000		—	
Sundry creditors	35,000	75,000	55,000	55,000
Capital		3,13,000		5,65,000
<b>Income during the two years:</b>				
Capital as on 1-4-2022				5,65,000
Add: Drawings – Domestic Expenses for the two years (₹ 4,000 × 24 months)				96,000
				6,61,000
Less: Capital as on 1-4-2020				(3,13,000)
Income earned in 2020-2021 and 2021-2022 Income declared (₹ 1,05,000 + ₹ 1,23,000)				
Suppressed Income				3,48,000
				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's true income is in excess of the disclosed income by ₹ 1,20,000 based on the information available

**Q.6 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	???

**Ans**

**Debtors Account**

Particulars	Amount	Particulars	Amount
Balance b/f Credit Sales	5,00,000	Cash A/c Discount	6,00,000
	11,40,000	allowed Bills 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		
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

**Q.7 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

**Ans**

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	<u>5,00,000</u>		<u>9,70,000</u>
	<u>13,70,000</u>		<u>13,70,000</u>

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

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

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



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

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

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

Sundry Creditors Account

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



**Q.8** Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st March, 2022 is given below:

Receipts	₹	Payments	₹
Bank Balance as on 1st April, 2021	2,800	Payments to Sundry creditors	35,000
Received from Sundry Debtors	48,000	Salaries	6,500
Cash Sales	11,000	General expenses	2,500
Capital brought during the year	6,000	Rent and Taxes	1,500
Interest on Investments	200	Drawings	3,600
		Cash purchases	12,000
		Balance at Bank on 31st March, 2022	6,400
		Cash in hand on 31st March, 2022	<u>500</u>
	<b>68,000</b>		<b>68,000</b>

Particulars of other assets and liabilities are as follows:

	1st April, 2021	31st March, 2022
Sundry debtors	14,500	17,600
Sundry creditors	5,800	7,900
Machinery	7,500	7,500
Furniture	1,200	1,200
Inventory	3,900	5,700
Investments	5,000	5,000

Prepare final accounts for the year ending 31st March, 2022 after providing depreciation at 10 per cent on machinery and furniture and ₹ 800 against doubtful debts.

**Ans**

A. Adamjee

Trading Account for the year ended 31st March 2022

	₹	₹		₹
To Opening Inventory		3,900	By Sales	62,100
To Purchases		49,100	By Closing Inventory	5,700
To Gross profit c/d (b.f.)		14,800		
		<b>67,800</b>		<b>67,800</b>

Profit & Loss Account for the year ended 31st March 2022

	₹	₹		₹
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 Dep: Machinery@ 10%	750			



Furniture @ 10%	120	870		
To Provision for doubtful debts		800		
To Net profit carried to Capital A/c (b.f.)		2,830		
		15,000		15,000

## Balance Sheet as on 31st March 2022

<b>Liabilities</b>	₹	₹	<b>Assets</b>	₹	₹
A. Adamjee's Capital on 1 <sup>st</sup> April, 2021	29,100		Machinery	7,500	
Add: Fresh Capital	6,000		Less : Depreciation	(750)	6,750
Add: Profit for the year	2,830		Furniture	1,200	
	37,930		Less : Depreciation	(120)	1,080
Less: Drawings	(3,600)	34,330	Inventory-in-trade		5,700
			Sundry debtors Less : Provision for Doubtful debts		
			Investment		
			Cash at bank Cash in hand		
				17,600	
Sundry creditors		7,900		(800)	16,800
					5,000
					6,400
					500
		42,230			42,230

## Working Notes:

- Balance sheet of A. Adamjee as on 1st April 2021

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

- Ledger Accounts

Adamjee's Capital Account

		₹			₹
31.03.22	To Drawings	3,600	01.04.21	By Balance b/d	29,100
			31.03.22	By Net Profit	2,830
31.03.22	To Balance c/d (b.f.)	34,330	31.03.22	By Cash	6,000
		37,930			37,930

#### Sales Account

		₹			₹
31.03.22	To Trading A/c (b.f.)	62,100	31.03.22	By Cash	11,000
			31.03.22	By Total Debtors Account (Credit Sales)	51,100
		62,100			62,100

#### Total Debtors Account

		₹			₹
01.04.21	To Balance b/d	14,500	31.03.22	By Cash	48,000
31.03.22	To Credit sales (Balancing figure)	51,100	31.03.22	By Balance c/d	17,600
		65,600			65,600

#### Purchases Account

		₹			₹
31.03.22	To Cash A/c	12,000	31.03.22	By Trading Account (b.f.)	49,100
	To total Creditors A/c (credit Purchases)	37,100			49,100
		49,100			49,100

#### Total Creditors Account

		₹			₹
31.03.22	To Cash	35,000	01.04.21	By Balance b/d	5,800
31.03.22	To Balance b/d	7,900	31.03.22	By Credit Purchases (Balancing figure)	37,100
		42,900			42,900

**Q.9** From the following data furnished by Mr. Manoj, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2022 and Balance Sheet as at that date. All workings should form part of your answer.

Assets and Liabilities	As on 1st April 2021	As on 31st March 2022
	₹	₹
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040



Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realisations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2022		1,200
Cheques issued to trade creditors		60,270

Ans

In the books of Mr. Manoj

Trading Account for the year ending 31st March, 2022

	₹	₹		₹	₹
To Opening Inventory		8,040	By Sales		
To Purchases	59,030		Cash	4,600	
(58,000 + 1,030)			Credit	67,210	
Less: Returns	(400)	58,630		71,810	
		14,810	Less: Returns	(1,450)	70,360
To Gross profit c/d			By Closing inventory		11,120
		81,480			81,480

Profit &amp; Loss Account for the year ending 31st March, 2022

	₹		₹
To Sundry expenses (W.N.(v))	9,300	By Gross profit b/d	14,810
To Discount	1,500	By Discount	700
To Bad Debts	420		
To Net Profit transfer to Capital	4,290		
	15,510		15,510

Balance Sheet of Mr. Manoj as on 31st March, 2022

Liabilities	₹	₹	Assets	₹
Capital			Sundry assets	12,040

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

Working Notes:

(i) Cash sales

Combined Cash &amp; Bank Account

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

(ii) Total Debtors Account

Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account
Total Debtors Account	Total Debtors Account	Total Debtors Account	Total Debtors Account

(iii) Total Creditors Account

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



(iv) Balance Sheet as on 1st April, 2021

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

(v)

Expenses paid in Cash	9,570
Add: Outstanding on 31-3-2022	330
	9,900
Less: Outstanding on 1-4-2021	(600)
	9,300

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

**Q.10 Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:**

	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>
<b>Sundry debtors</b>	<b>70,000</b>	<b>92,000</b>
<b>Bills receivable</b>	<b>15,000</b>	<b>6,000</b>
<b>Bills payable</b>	<b>12,000</b>	<b>14,000</b>
<b>Sundry creditors</b>	<b>40,000</b>	<b>56,000</b>
<b>Inventory</b>	<b>1,10,000</b>	<b>1,90,000</b>
<b>Bank</b>	<b>90,000</b>	<b>87,000</b>
<b>Cash</b>	<b>5,200</b>	<b>5,300</b>

**Summary of cash transactions during the year 2021- 2022:**

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

- (xii) Rent received ₹ 14,000 by cheque for the premises owned by proprietor.
- (xiii) A building was purchased on 30-11-2021 for opening a branch for ₹ 3,50,000 and some expenses were incurred on this building, details of which are not maintained.
- (xiv) Electricity and telephone bills paid by cash ₹ 18,700, due ₹ 2,200.

Other transactions:

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

Prepare Trading and Profit & Loss Account of Mr. Anup for the year ended 31st March 2022 and Balance Sheet as on that date.

Ans

Trading Account of Mr. Anup for the year ended 31st March 2022

	₹	₹		₹	₹
To Opening Inventory		1,10,000	By Sales	9,59,750	
To Purchases	4,54,100		Less: Sales Return	(1,200)	9,58,550
Less: Purchases Return	(4,200)	4,49,900	By Closing Inventory		1,90,000
To Gross Profit (b.f.)		5,88,650			
		11,48,550			11,48,550

Profit & Loss Account of Mr. Anup for the year ended 31st March 2022

	₹		₹
To salary (9,200 x 12)	1,10,400	By Gross Profit	5,88,650
To Electricity & Tel. Charges (18,700 + 2,200)	20,900	By Discount	2,700
To Legal expenses	17,000		
To Discount (2,400 + 750)	3,150		
To Shop exp. (600 x 12)	7,200		
To Provision for claims for damages	1,55,000		
To Shop Rent	20,000		
To Net Profit (b.f.)	2,57,700		
	5,91,350		5,91,350

Balance Sheet as on 31st March 2022

Liabilities	₹	Assets	₹
Capital A/c (W.N.vi)	2,38,200	Building (from summary cash and bank A/c)	3,72,000
Add : Fresh capital introduced		Furniture	25,000
Maturity value from LIC	20,000		



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

Working Notes :

(i) Sundry Debtors Account

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

(ii) Bills Receivable Account

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



## (iii) Sundry Creditors Account

	₹		₹
To Bank	3,20,000	By Balance c/d	40,000
To Cash	77,200	By Credit purchase (Balancing figure)	4,54,100
To Bill Payable A/c	24,000		
To Bill Receivable A/c	10,000		
To Return Outward A/c	4,200		
To Discount Received A/c	2,700		
To Balance b/d	56,000		
	4,94,100		4,94,100

## (iv) Bills Payable A/c

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

## (v) Summary Cash and Bank A/c

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

## (vi) Statement of Affairs as on 31st March 2021



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

**Q.11** A Firm 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 31.03.2021 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 31.03.2022.

**Ans** Calculation of Credit Sales and Total sales

$$\begin{aligned}
 \text{Credit Sales for the year ended 2021-22} &= \text{Debtors} \times \frac{12 \text{ months}}{1.5 \text{ months}} \\
 &= ₹ 1,25,000 \times \frac{12 \text{ months}}{1.5 \text{ months}} \\
 &= ₹ 10,00,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Total sales for the year ended 2021-22} &= \text{Credit sales} \times \frac{100\%}{80\%} \\
 &= ₹ 10,00,000 \times \frac{100\%}{80\%} \\
 &= ₹ 12,50,000
 \end{aligned}$$

**Q.12** Mr. A runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2021 was as follows:

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

You are furnished with the following information:

(1) His sales, for the year ended 31st March, 2022 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.

Total sales during the year 2020-21 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 2022 disclosed the following:

	₹
Payment to creditors	3,00,000
Payment of rent up to 31st March, 2022	16,000
Cash deposited into the bank during the year	80,000

The following are the balances on 31st March, 2022:

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

On the evening of 31st March 2022, 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, 2022 and Balance Sheet as on that date. All the workings should form part of the answer.

Ans

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**

<b>Liabilities</b>		₹	<b>Assets</b>		₹
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)	4,32,000	Debtors		1,20,000
Creditors		1,46,000	Cash at bank		2,62,000
		5,78,000			5,78,000

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

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

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

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

<b>Particulars</b>	₹	<b>Particulars</b>	₹
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 1 <sup>st</sup> April 2021		28,000
Add: Cash sales during the year		1,20,000
		1,48,000
Less: Salary (₹2,000x12)	24,000	
Office expenses (₹1,200 x 12)	14,400	
Drawings of A (₹500x12)	6,000	
Cash deposited into bank during the year	80,000	(1,24,400)
Cash balance as on 31st March 2022 (defalcated by the cashier)		23,600

**Q.13** 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 1.4.2021	As on 31.3.2022
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:

- (a) Payment to creditors ₹ 7,00,000
- (b) Payment for business expenses ₹ 1,20,000
- (c) Receipts from debtors ₹ 7,50,000
- (d) Loan ₹ 1,00,000 taken on 1.10.2021 at 10% per annum
- (e) 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 31.3.2022 and Balance Sheet as at 31st March, 2022.

**Ans**

**Trading Account of Ram**  
for the year ended 31st March, 2022



	₹		₹
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	<u>10,00,000</u>
			12,40,000
	13,60,000	By Closing Stock (bal. fig.)	1,20,000
			<u>13,60,000</u>

**Profit and Loss Account of Ram for the year ended 31st March, 2022**

	₹		₹
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		
	<u>3,10,000</u>		<u>3,10,000</u>

**Balance Sheet of Ram as at 31st March, 2022**

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
	<u>4,45,000</u>		Stock in trade	1,20,000
Less: Drawings	(80,000)	3,65,000		
Loan (including interest due)		1,05,000		
Sundry Creditors		90,000		
		<u>5,60,000</u>		<u>5,60,000</u>

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

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

**2. Sundry Creditors Account**

	₹		₹
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		
	<u>8,10,000</u>		<u>8,10,000</u>

**3. Cash and Bank Account**

	Cash ₹	Bank ₹		Cash ₹	Bank ₹
To Balance b/d	10,000		By Balance b/d		50,000
To Sales (bal. fig)	2,40,000			1,00,000	

To Cash (C)		1,00,000	By Bank A/c (C)	40,000	
To Debtors		7,50,000	By Salaries	20,000	7,00,000
To Loan		1,00,000	By Creditors	80,000	
			By Drawings		1,20,000
			By Business expenses	10,000	80,000
	2,50,000	9,50,000	By Balance c/d	2,50,000	9,50,000