Final Accounts of Non Manufacturing Entities

Base Building

Journal

Sub. book / Ledger

Rectification of Errors

FINAL A/c

- Manufacturing Entities
- Non-Manufacturing Entities
  - → Trading

Accounting Process

1. Recording → JOURNAL | Subsidiary Books.
2. Posting → Ledger
3. Summary → Trial Balance

Trial Balance → Capital, Liabilities, Assets, Expenses, Revenue

- Capital, Liabilities, Assets → **Balance Sheets** — Financial Position
- Expenses, Revenue → **Trading and P&L A/c** — Financial Performance

Trading and Profit & Loss A/c

Trading A/c → Gross Profit → Sales − COGS

Profit & Loss A/c → Net Profit / Loss

$\boxed{\text{COGS}}$ ⇒ $\underbrace{\text{Opstock} + \text{Purchases} + \text{Direct exp}}_{\text{Cost of goods available for sale}}$ − Closing stock

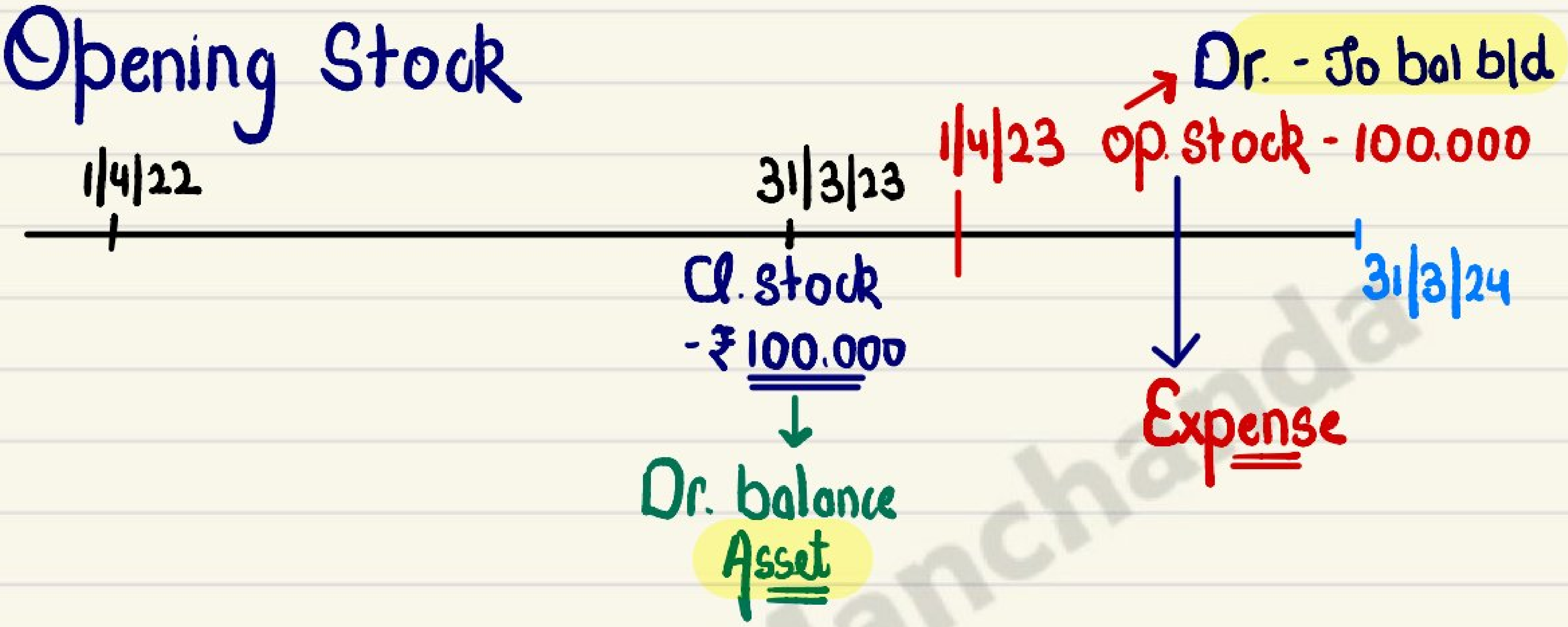
Trading A/c

Dr. ↗ Expenses | Cr. ↑ Revenue

Particulars	₹	Particulars	₹
To opening stock	10.00.000	By sales	200.00.000
To purchases	70.00.000	By closing stock	10.00.000
To Direct exp.	500.000		
To Gross Profit	1,25,00.000		
	210,00,000		2,10.00.000

$\boxed{\begin{array}{l} \text{Dr.} < \text{Cr.} = \text{Gross Profit} \\ \text{Dr} > \text{Cr} = \text{Gross loss} \end{array}}$

1. Opening Stock



Journal Entry :

Trading A/c Dr. → Expense
To opening Stock A/c
└ Asset A/c - Close

2. Net Purchases [Purchases – Purchase Return]

→ Goods purchased - ₹100,000

Purchases A/c Dr. → Dr. balance
To Bank A/c / Creditor A/c

→ Purchase Return - ₹10,000

Creditor A/c Dr.
To purchase Return A/c 10,000
↳ Cr. balance

→ Net Purchases

Close

Purchase Ret Dr. 10,000
To purchase A/c 10,000
↳ Dr. bal. 90,000

JOURNAL :- Trading Dr. 90,000
To purch A/c 90,000 ← A/c close
↓
Nominal

Trading A/c

To purchases - 100,000 Less: purch. Ret (10,000)	90,000	

3. Direct Expenses:

↳ Exp. incurred in bringing the goods to the business premises.

Eg. Carriage inward, wages, Non-Refundable tax.

Carriage inward - ₹10,000

↳ Carriage Inward Dr 10,000
To Bank 10,000

Dr. bal.

Journal:

Trading Dr 10,000
To Carriage inward A/c 10,000

4. Net Sales (Sales - Sales Return)

→ Sale of goods

Debtor Dr. 100,000
To Sales A/c 100,000

↳ Cr. balance

→ Sales Return -

Sales Return Dr. 10,000 → Dr. bal
To Debtor A/c 10,000

Net Sales → Sales A/c Dr. 10,000 → Balance - ₹90,000
To Sales Ret A/c 10,000 ← Close

Journal: Sales A/c Dr. 90,000
To Trading A/c 90,000

Trading A/c

	By Sales - 100,000 (-) Sales Ret (10,000)	90,000

5. CLOSING STOCK

Before Trial Balance

Cl. stock Dr. - Asset
To purchases A/c - Exp↓

After Trial Balance

Closing stock Dr - Asset
To Trading A/c

Trial Balance

	Dr	Cr
Purchases [Adj]	90,000	
Closing stock	10,000 → B/s - Asset	

Closing stock will not appear in Trading A/c

→ PROFIT & LOSS A/c → Net profit / Loss

Trading A/c
↳ Gross Profit → P&L A/c

1. It starts with Gross profit / Loss

Trading A/c

To op. stock	100,000	By Sales	1200,000
To purch	10,00,000	by Cl. St	200,000
To Gross Profit	300,000		
To all other exp	200,000	by Gross profit b/d	300,000
To Net profit	100,000		

↓ Cr. > Dr.

Journal: GP → Gross Profit
To p&L A/c

Gross Loss → P&L A/c Dr.
To Gross Loss

Profit & Loss A/c

Dr.			
To Gross loss b/d		by Gross profit b/d	
To all exp & Losses [not covered in Trading A/c]		by Income [other than sales]	
To Net profit		by Net Loss	

→ ADJUSTMENTS

1. Outstanding Expenses

↳ Expense ✓ - Benefit already consumed
Payment ✗ - Liability

2023-24

Salary paid - ₹2,20,000
↓
Recording - Salary Dr. 2,20,000
To Bank A/c 2,20,000

Trial Balance

	Dr	Cr.
Salary A/c	2,20,000	

Adj :- 1 month Salary is in Arrear / outstanding

No Treatment
↓
2 Treatment

$1 \text{ month salary} = \frac{2,20,000}{11} = ₹20,000$

Adj. Entry : Salary A/c Dr. 20,000 → Expense - P&L A/c
To o/s salary A/c 20,000
↘ Liability - B/S

Profit & Loss A/c

Dr.		
To Salary - 220,000 Add: O/s Salary 20,000	240,000	

Eg-

Trial Balance

	Dr	Cr.
Rent A/c	120,000	
O/S Rent A/c		20,000

Already Included

Rent A/c Dr.
To O/s Rent A/c

Ye journal entry already Record ho gyi h.

→ Rent amt to be Dr. to P&L A/c – ₹120,000

→ A/c appearing in the Trial Balance → 1. Recording is already Done ✓

↓

Only 1 Treatment

- Nominal A/c → Trading, P&L A/c
- Asset / Liab → Bal. Sheet

2. Prepaid Expense

Expense ✗ – Benefit not consumed
Payment ✓

→ Insurance premium paid during the year - ₹150,000

Insurance premium Dr. 150,000
To Bank A/c 150,000

Trial Balance

	Dr	Cr.
Ins. premium	150,000	

Adjustment: Prepaid Insurance - ₹30,000

Adj. Entry: → Prepaid Ins. Dr. 30,000 — Asset └ B/S
To Insurance premium A/c 30,000
└→ Exp ↓

Profit & Loss A/c

Dr.

To Insur. prem - 150,000		
Less: Prepaid Ins. (30,000)	120,000	

3. Accrued Income

↳ Income Earned ✓
Money Not Received. – Asset ✓

Eg- Commission Received - ₹2,20,000
↓
Bank Dr 220,000
To commission A/c 2,20,000

Trial Balance

	Dr	Cr.
Commission A/c		220,000

Adj - Accrued commission - ₹20,000
↓

Adj Entry

Accrued comm. A/c Dr 20,000 → Asset
To Commission A/c 20,000 → Income +

P&L A/c

			Cr.
		By comm - 220,000 Add: Accrued 20,000	240,000

4. Income Received in Advance

Unearned Income

Income not earned ×
Amt Received ✓
Liability

Eg- Fees Received - ₹7 crore

Bank A/c Dr. 7,00,00,000
To Fees A/c 7,00,00,000

Trial Balance

	Dr	Cr.
Fees		700,00,000

Adj:- Fees Received in Advance - ₹50,00,000

Adj Entry:

Fees Dr. 50,00,000 — Income ↓
To Advance fees A/c 50,00,000
Liab - B/s

P&L A/c

		Cr
	By fees - 700,00,000 (-) Advance (50,00,000)	650,00,000

5. Provision for Doubtful Debt

Provision → Amount not Certain - Estimated basis

Doubtful Debt → Loss of Debtors

Case - I

Trial Balance

	Dr	Cr
Debtors	100,000	

Adj :- Create provision for Doubtful debts @10% on Debtors

Loss Dr. / Debtor ↓ Cr.

P&L Dr. 10,000 - Loss

To provision for Doubtful Debt 10,000 - Cr. balance

└ Contra Asset

P&L A/c

Dr.	
To prov. for Doubtful debt 10,000	

Balance Sheet

	Asset	
	Debtors - 100,000	
	(-) prov. for doubtful debt (10,000)	90,000

Debtors 100,000 ₹ 1

Case-2

Trial Balance

	Dr	Cr
Debtors	100,000	

Adj : Bad debt - ₹10,000

Adj Entry : Bad debt Dr. 10,000 - loss
To Debtors 10,000 - asset ↓

P&L A/c

Dr	
To Bad debts - 10,000	

Balance Sheet

	Assets	
	Debtors - 100,000	
	(-) Bad debt (10,000)	90,000

Debtors 90k है

Case-3

Trial Balance

	Dr	Cr
Debtors	100,000	

Adj-
1. Bad debts - ₹10,000
2. Create prov. for Doubtful debt @10% on Debtors.

Good Debtors - 90,000

Adj Entry -

1. Bad debt Dr 10,000
   To Debtors 10,000

2. P&L A/c Dr 9000 [90,000 x 10%]
   To prov. for Doubtful debt 9000

P&L A/c

Dr.

To Bad debt	10,000
To prov. for Doubtful debt	9000

Balance Sheet

	Asset		
	Debtors	100,000	90,000 Debtors के ४ है
	(-) Bad debt	(10,000)	
	(-) prov. for D.D	(9000)	81000

Case-4

Trial Balance

	Dr	Cr
Debtors	100,000	
Bad debts	10,000	

Already adjusted

Bad debt Dr.
To Debtor

Adj -

1. Bad debts - ₹5000
2. Create prov. for Doubtful debts @10% on Debtors.

Good debtors = 95000

Adj Entry - 1. Bad debt Dr 5000
To Debtor 5000

Total Bad debts → ₹15000 ⟶ P&L A/c Dr 15000
To Bad debt 15000

2. P&L A/c Dr 9500
To prov for Doubtful Debt 9500

P&L A/c | **Balance Sheet**

Dr.

To Bad debt - 10.000 Add: Further bad debt - 5000	15000	
To prov. for D.D. [95000 x 10%]	9500	

	Asset	
Debtors -	100.000	Debtors 95000 ₹
(-) Bad debt	(5000)	
(-) prov. for DD	(9500)	85500

Case. 5

Trial Balance

	Dr	Cr.
Debtors	100.000	
Prov. for Doubtful debt		10.000

10.000 → P&L Dr. 10.000
To prov. 10.000

Adj : 1. Bad debts - $\boxed{₹8000}$
2. Maintain prov. for doubtful debt @10% on Debtors.

Adj. Entry

1. Bad debt Dr 8000
   To Debtors 8000

2. Prov. for DD Dr 8000
   To Bad debt 8000

Balance in prov. for DD = ₹2000

→ Good debtors - 92000
↳ 10% - 9200

P&L A/c Dr 7200 [9200-2000]
To prov. for Doubtful debt 7200

P&L A/c

Dr.			
To prov. for Doubtful Debt	7200		

Balance Sheet

	Asset	
	Debtors - 100,000 (-) Bad debt (8000) (-) Prov. for DD (9200)	82800

Prov. for Doubtful Debt A/c

Dr.			Cr.
To Bad debts	8000	By bal b/d	10,000
		By P&L A/c (bal fig)	7200
To bal c/d	9200		

Case-6

Trial Balance

	Dr	Cr.
Debtors	100,000	
Prov. for Doubtful debt		10,000
Bad debts	5000	

Adj:- 1. Bad debts - $\boxed{₹8000}$
2. Maintain prov. for doubtful debt @10% on Debtors.

Adj Entry - 1. Bad debt Dr. 8000
To Debtors A/c 8000

Total Bad debts = 13000

2. Prov. for D.D. Dr. 10,000
P&L A/c Dr 3000
To Bad debts 13000

⇒ Good Debtors - ₹92000

P&L A/c Dr. 9200
To prov. for Doubtful Debt 9200

P&L A/c

Dr.		
To Bad debts	3000	
To prov. for D.D	9200	

Balance Sheet

	Assets	
	Debtors. 100,000	
	(-) Bad debt. (8000)	
	(-) prov. (9200)	82800

Amt to be Dr to p&L A/c = Total Bad debts – 13000
(–) old provision – 10000 – Trial Bal
+ New provision – 9200

Debtors to be shown in B/S →	Debtors (Trial Balance)
	(-) Bad debts (Adj)
	(-) New prov. for doubtful debts

Case-7

Trial Balance

	Dr	Cr.
Debtors	100.000	
Prov. for Doubtful debt		10.000
Bad debts	5000	

Adj - 1. Bad debts - ₹4000
2. Prov. for DD @10% on debtors

Adj - 1. Bad debt Dr 4000
To Debtor 4000

2. Prov. for DD Dr 9000
To Bad debts 9000

Good debtors - 96000
└ 10% → 9600

3. P&L Dr 8600
To prov. for DD 8600

P&L A/c			Balance Sheet		
			Assets		
To Bad debts -	5000		Debtors -	100,000	
+ Further bad debts	4000		(-) Bad debt	(4000)	
(-) old provision	(10,000)		(-) Prov. for DD	(9600)	86400
+ New prov.	9600	8600			

Case-8

Trial Balance

	Dr	Cr.
Debtors	100,000	
Prov. for Doubtful debt		10,000
Bad debts	5000	

Adj - All Other debtors are good.
└ No provision required.

→ Prov. for DD 5000
To Bad debt 5000

→ Balance remaining in Prov. for DD is not required, will be written off in P&L A/c.

→ Prov. for DD Dr 5000
To P&L A/c 5000 — Loss Reverse

1400000

100.000 Bad debts
- 40.000 → old prov.
+ 70000 + New prov.

ILLUSTRATION 4

31.3.21 — old

On 1st April 2021 provision for Doubtful Debts existed at ₹40,000. Trade receivables on 31.03.2021 were ₹15,00,000; bad debts totaled ₹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.

Ans-

Total Bad debts	-	100.000
(-) already existing prov.	-	(40.000)
+ New prov. to be created $\left[\frac{5}{100} \times 1400{,}000\right]$		70.000
Amt to be dr. to p&l A/c		130000

1500000
- 100000
1400000
(-) 70000
1330000

6. Provision for Discount on Debtors

Discount → Discount allowed

Debtors ₹100.000 —5%→ Prov. for Disc. on Debtors → ₹5000

P&L A/c Dr. 5000
To Prov. for Disc 5000

Eg- Debtors - ₹100,000

Adj -

1. Bad debt - ₹10,000
2. Prov. for Doubtful debt @10% on debtors
3. Prov. for Disc. on debtors @ 2% on debtors

Journal

1. Bad debt Dr 10,000
   To Debtors 10,000

2. P&L A/c Dr 10,000
   To Bad debt 10,000

3. P&L A/c Dr 9000
   To prov. for DD 9000

100,000
(10,000)
90,000
-9000
81000
$\times \frac{2}{100} = 1620$

Prov. for Discount on Debtors :

	Total Debtors -	100,000
(-)	Bad debts	(10,000)
		90,000
(-)	Prov. for DD	(9000)
		81000

Prov. for Disc on Debtors - 1620

4. P&L A/c Dr. 1620
   To prov. for Disc 1620

P&L A/c

To Bad debts	10,000
To prov for DD	9000
To prov. for Discount	1620

Balance Sheet

Assets		
Debtors	100,000	90,000
(-) Bad debt	(10,000)	
(-) prov. for DD	(9000)	
(-) prov for disc.	(1620)	79380

Eg-

Trial Balance

12000
− 10,000
+ 9300
11300

	Dr	Cr
Debtors	100000	
Prov. for Doubtful debt		10,000
Bad debt	5000	

12000

93000
10%
9300
83700
8370

Adj
1. Bad debt - ₹7000
2. Maintain prov. for Doubtful debt @10% on debtors
3 Maintain prov. for Disc on debtors @10%

└100,000 −7000 −9300 = 83700

P&L A/c

Dr.

To Bad debts -	5000	12000
+ Further bad debt -	7000	
(-) old prov.	(10,000)	
+ New prov.	9300	11300
To prov. for Disc. on Debtors		8310

Balance Sheet

Debtors -	100,000	
(-) Bad debt	(7000)	
(-) prov. for DD	(9300)	
(-) prov. for Disc.	(8310)	75330

PQ-2

2. Sengupta & Co. employs a team of eight workers who were paid ₹30,000 per month each in the year ending 31st March, 2021. At the start of financial year 2021-2022, the company raised salaries by 10% to ₹33,000 per month each.

On October 1, 2021 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:

(i) Amount of salaries which would be charged to the profit and loss for the year ended 31st March, 2022. 21-22

Exp

33000x8x12
21000x2x6

(ii) Amount actually paid as salaries during 2021-22

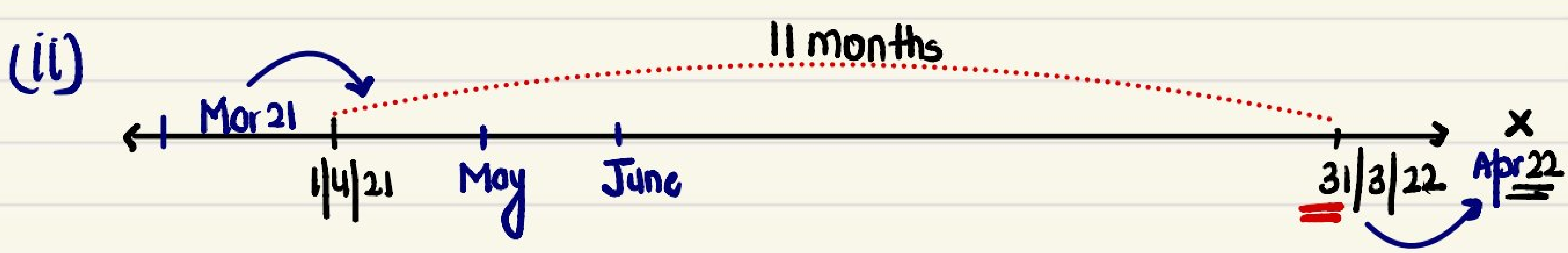
(iii) Outstanding Salaries as on 31st March, 2022.

(i) Salary of 8 employees @ 33000 p.m each - [8x33000x12] — 3168000

Salary of 2 Trainees @ ₹21000 pm each [2x21000x6] — 252000

Salary to be charged to P&L A/c — 3420.000

(ii)



Salary of 8 employees: a. 33000x11x8 = 2904000

b. 30.000x1x8 = 240.000

Salary of 2 trainees - 21000x5x2 = 210.000

3354000

(iii) 8 employees @ 33000pm × 1 (Mar 22) - 264000

2 trainee @ 21000pm × 1 (Mar 22) - 42000

O/S Salaries 306000

7. Abnormal Loss of Inventory

Fire, theft, earthquake

Adj :- Stock costing ₹10,000 destroyed by fire.

Adj Entry

Loss by fire A/c Dr 10,000
To purchase A/c 10,000

a] No Insurance

P&L A/c Dr. 10,000
To loss by fire 10,000

b] Insurance claim ₹8000

P&L A/c Dr 2000 → Loss
Ins. claim Dr 8000 → Receivable - Asset - B/S
To Loss by fire 10,000

Bank Dr. 8000
To Ins. claim 8000

c] Ins. claim ₹12000

Ins. claim Dr 12000 — Asset
To Loss by fire 10,000
To P&L A/c 2000 → Gain

8. Goods used for purposes other than Sale.

a) Donation of Goods - ₹10.000

(i) Charity Dr. 10.000
To purch A/c 10.000 - Purch (-)

(ii) P&L A/c Dr. 10.000
To charity 10.000

b) Drawings of goods. ₹10.000

(i) Drawings Dr 10.000
Purch (-) ← To purch A/c 10,000

Cap (-)

(ii) Cap A/c Dr. 10.000
To Drawings 10.000

c) Free Samples - 10.000

(i) Adv. Exp Dr. 10.000
To purch A/c 10.000 - Purch (-)

(ii) P&L A/c Dr. 10.000
To Adv. Exp 10.000

d] Goods used in the construction of Building - ₹100,000

Building A/c Dr. 100,000
To purch. A/c 100,000

e] Goods used for Repair & Maintenance - ₹10,000

(i) Repair & Maint Dr. 10,000
To purch A/c 10,000

(ii) P&L A/c Dr. 10,000
To repair & Main 10,000

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9. Commission to Manager, based on % of Profits

Manager → Employee

(i) % of Net profit before charging comm.

Net profit before comm. - ₹1,10,000

Manager comm - 10% of NP before commission $\boxed{11000}$

Net profit after charging comm - 99000

Adj Entry. Manager Comm. Dr. 11000
To o/s Manager comm 11000 - Liab

P&L Dr.
To Man comm.

(ii) % of Net Profit after charging Commission.

Profit before commission - 110,000   110

Man comm → 10% of NP after charging comm (   )   (10)

NP after charg. comm.   100

Profit before comm − comm

110 − 10

$1 - \frac{10}{110}$

$1 \times 110,000 - \underbrace{\frac{10}{110} \times 110,000}$

$\boxed{\frac{\text{Rate}}{100+\text{Rate}} \times \text{Profit bef. comm.}}$

Commission $= \frac{10}{110} \times 110,000$

$= ₹10,000$ ✓

Eg- Net profit before comm. ₹220,000

Mg comm − 10% of NP after charging commission.

Commission $= \frac{10}{100+10} \times 220,000 \Rightarrow ₹20,000$

10. Hidden Adjustments

Trial Balance
as on 31.3.24

		Dr.	Cr.
1.	10% Bank Loan [1st oct 23]		100,000
2.	12% Investment	200,000	
3	Rent (paid for 13 months)	65000	

1. Int on Bank Loan - $100{,}000 \times \frac{10}{100} \times \frac{6}{12} \Rightarrow$ ₹5000

Adj Entry - Int on Loan Dr 5000 ····> P&L Dr.
To o/s Int 5000 – Liab.

2. Assumption: Investment was done at the end of the year
- No Interest.

3. Prepaid Rent - $\frac{65000}{13} \Rightarrow$ ₹5000

Prepaid Rent Dr - Asset
To Rent A/c ↓

11. Inventory of Material in hand.

Stationary purchased - ₹10,000

Stationary Dr 10,000
To Bank 10,000

31st Mar Stock of Stationary - ₹2000

Stock of Stationary Dr 2000 — Asset
To Stationary 2000 — Purch ↓

→ P&L A/c Dr 8000
To Stationay 8000

12. INCOME TAX

Sole proprietor

Trial Balance

	Dr	Cr.
Income Tax	20,00,000	

Income Tax Dr
To Bank A/c

→ Income Tax Paid by Sole Proprietor is not a business expense. its his/her Personal exp.

→ Drawings Dr. 20,00,000 → Drawings +
To Income Tax A/c 20,00,000 (−)

Balance Sheet → Statement
↓
Financial Position

Assets | Liab | Capital

1. Prepared at a particular date
└ as on | at 31st Mar, 24

2. Accounting Equation
↳ Assets = Liab + Cap → Includes Net profit

Following information is provided for M/s. VS Wires for the year ended 31st March, 2024:

	₹
Opening Inventory	6,00,000
Purchases	40,32,000
Carriage Inwards	1,80,000
Wages	3,00,000
Sales	66,00,000
Returns inward	6,00,000
Returns outward	4,32,000
Closing Inventory	12,00,000

You are required to pass necessary closing entries in the journal proper of M/s. VS Wires. **(5 Marks)**

ILLUSTRATION 7

The balance sheet of Thapar on 1st April, 2021 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	*13,000,000*
	66,50,000		*66,50,000*

During 2021-22, his Profit and Loss Account revealed a net profit of ₹18,30,000. This was after allowing for the following :

(a) *Rent received from property let out ₹3,00,000.*

(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, 2022.*

But while preparing the Profit and Loss Account he had forgotten to provide for (1) outstanding expenses totaling ₹1,80,000 and (2) prepaid insurance to the extent of ₹20,000.

His current assets and liabilities on 31st March, 2022 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.

Required

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

WN

Profit & Loss A/c (Revised)

Dr

Balance Sheet
as on 31st Mar 22

Liab	₹	Assets	₹

RTP - Final A/c + Rectification

The following is the Trial Balance of Mr. T on 31st March,2022:

	Dr. ₹	Cr. ₹
Capital	-	18,00,000
Drawings	2,10,000	-
Fixed Assets (Opening)	4,20,000	-
Fixed Assets (Additions 01.10.2022)	6,00,000	-
Opening Stock	1,80,000	-
Purchases	48,00,000	-
Purchases Returns	-	2,07,000
Sales	-	66,00,000
Sales Returns	2,97,000	-
Debtors	7,50,000	-
Creditors	-	6,60,000
Expenses	1,50,000	-
Fixed Deposit with Bank	6,00,000	-
Interest on Fixed Deposit	-	60,000
~~Cash~~ Bank OD	-	24,000
Suspense A/c	-	6,000
Depreciation	42,000	-
Rent (17 months upto 31.8.2022)	51,000	-
Investments 12% (01.8.2021)	7,50,000	-
Bank Balance	5,07,000	-
	93,57,000	93,57,000

Stock on 31st March,2022 was valued at ₹ 3,00,000. 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:

(i) ₹ 60,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn ₹ 36,000 was used in the business for day-to-day expenses.

(ii) Purchase of goods worth ₹ 48,000 was not recorded in the books of account upto 31.03.2022, but the goods were included in stock.

(iii) Purchase returns of ₹ 3,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.

(iv) Expenses include ₹ 18,000 in respect of the period after 31st March,2022.

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March,2022.

Trading and Profit & Loss A/c
for the year ended 31st Mar 22

Part	₹	Part	₹

Balance Sheet
as on 31st Mar 22

Liab	₹	Assets	₹

ILLUSTRATION 12

The following is the schedule of balances as on 31.3.22 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of Messrs Gavaskar Viswanath & Co., at Mumbai:

Particulars	Dr.	Cr.
	₹	₹
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2021	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
TOTAL	47,22,000	47,22,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2022 and the Balance Sheet as at that date after making provision for the following:

1. *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%.*
2. *Value of stock at the close of the year was ₹ 4,40,000.*
3. *Two month's rent for godown is outstanding.*
4. *Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2021.*
5. *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 1.4.2021 to 30.6.2022.*

Trading and Profit & Loss A/c for the year ended 31st Mar 22

Part	₹	Part	₹

Balance Sheet
as on 31st Mar 22

Liab	₹	Assets	₹

GST

GST → Input GST, Output GST

Sale ← (Tina Clothing to Pinku)

Pinku

20,000
+GST 3600
23600

↓

Output GST - Liability

→ CGST 1800, SGST 1800

(–) Input GST: (900), (900)

↓ Set off

900, 900 → payable to Government

Tina Clothing

Goods, Asset, Services → (Jassi to Tina Clothing)

Jassi

Goods - 10,000
+ GST @18% 1800
11800

↓

Input GST - Asset

↓

CGST - 900
SGST 900

Set-off Rules

	Input IGST	Input CGST	Input SGST
1)	Output IGST	Output CGST	output SGST
2)	Output CGST & SGST	Output IGST	Output IGST

Eg- Output IGST - ₹10,000 | Input IGST - ₹12000

Output CGST - ₹8000 | Input CGST - ₹8000

Output SGST - ₹8000 | Input SGST - ₹8000

		IGST outp 10,000	CGST outp 8000	SGST out 8000	Balance Input
1. IGST Inp	12000	(10,000)	(2000)		NIL
2. CGST Inp	8000		(6000)		2000
3. SGST Inp.	8000			(8000)	—
	Balance output	NIL	NIL	NIL	

Asset - CGST Input

Eg- Output IGST - ₹18000 | Input IGST - ₹8000

Output CGST - ₹6000 | Input CGST - ₹10,000

Output SGST - ₹6000 | Input SGST - ₹4000

		IGST output 18000	CGST outp 6000	SGST outp 6000	Balance Input
1. IGST Input	8000	(8000)			NIL
2. CGST Input	10,000	(4000)	(6000)		NIL
3. SGST Input	4000			(4000)	NIL
		6000	NIL	2000	

Liability - IGST output, SGST output

ILLUSTRATION 9

Shri Mittal gives you the following Trial Balance and some other information:

Trial Balances as on 31st March, 2022

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	2,000	
Input CGST	9,000	
Input SGST	9,000	
Output IGST		15,000
	26,07, 000	26,07,000

Closing Inventory on 31st March, 2022 was valued at ₹ 1,00,000.

Required

Prepare final accounts of Shri Mittal for the year ended 31st March, 2022.

WN-

Output IGST - 15000
(-) Input CGST- 9000
(-) Input SGST (6000)

No Liab → Bal. of ₹3000 SGST Input will be shown on Asset side.

Set off Rules

IGST Input

1. Against IGST output
2. CGST output & SGST output

CGST Input

1. Against CGST output
2. Balance IGST output, but No set off against SGST output

SGST Input

1. Against SGST output
2. Balance IGST output, but No set off against CGST output

ILLUSTRATION 10

Mr. Mohan gives you the following trial balance and some other information:

Trial Balance as on 31st March, 2022

Particulars	₹	₹
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	1,89,000	
Input CGST	10,000	
Input SGST	10,000	
Output CGST		8,000
Output SGST		8,000
Output IGST		6,000
	18,53,000	18,53,000

Other Information:

(i) Closing Inventory was ₹ 1,80,000;

(ii) Depreciate Furniture @ 10% p.a.

Required

Prepare Trading and Profit and Loss Account for the year ended on 31.3.2022 and Balance Sheet of Mr. Mohan as on that date.

WN

		IGST outp	CGST out	SGST out	Bal Input
		6000	8000	8000	
1. IGST Input	×				
2. CGST Input	10,000	(2000)	(8000)		NIL
3. SGST Input	10,000	(2000)		(8000)	NIL
		2000	—	—	

↓

Liab. – IGST output

Concepts – 100% Clear