

Final Account Assignment

Q. NO.	Questions and Solutions																																																															
1.	<p>The following are the balances as at 31st March, 20X0 extracted from the books of Mr. XYZ.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">₹</th> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">₹</th> </tr> </thead> <tbody> <tr> <td>Plant and Machinery</td> <td style="text-align: right;">19,550</td> <td>Bad debts recovered</td> <td style="text-align: right;">450</td> </tr> <tr> <td>Furniture and Fittings</td> <td style="text-align: right;">10,250</td> <td>Salaries</td> <td style="text-align: right;">22,550</td> </tr> <tr> <td>Bank Overdraft</td> <td style="text-align: right;">80,000</td> <td>Salaries payable</td> <td style="text-align: right;">2,450</td> </tr> <tr> <td>Capital Account</td> <td style="text-align: right;">65,000</td> <td>Prepaid rent</td> <td style="text-align: right;">300</td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">8,000</td> <td>Rent</td> <td style="text-align: right;">4,300</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">1,60,000</td> <td>Carriage inward</td> <td style="text-align: right;">1,125</td> </tr> <tr> <td>Opening Stock</td> <td style="text-align: right;">32,250</td> <td>Carriage outward</td> <td style="text-align: right;">1,350</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">12,165</td> <td>Sales</td> <td style="text-align: right;">2,15,300</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">3,200</td> <td>Advertisement Expenses</td> <td style="text-align: right;">3,350</td> </tr> <tr> <td>Provision for Discount on debtors</td> <td style="text-align: right;">1,375</td> <td>Printing and Stationery</td> <td style="text-align: right;">1,250</td> </tr> <tr> <td>Sundry Debtors</td> <td style="text-align: right;">1,20,000</td> <td>Cash in hand</td> <td style="text-align: right;">1,450</td> </tr> <tr> <td>Sundry Creditors</td> <td style="text-align: right;">47,500</td> <td>Cash at bank</td> <td style="text-align: right;">3,125</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">1,100</td> <td>Office Expenses</td> <td style="text-align: right;">10,160</td> </tr> <tr> <td></td> <td></td> <td>Interest paid on loan</td> <td style="text-align: right;">3,000</td> </tr> </tbody> </table> <p><u>Additional Information:</u></p> <ol style="list-style-type: none"> 1) Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725. 2) Goods withdrawn by Mr. XYZ for own consumption ₹ 3,500 included in purchases. 3) Wages paid in the month of April for installation of plant and machinery amounting to ₹ 450 were included in wages account. 4) Free samples distributed for publicity costing ₹ 825. 5) Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%. 6) Depreciation is to be provided on plant and machinery @ 15% per annum and on furniture and fittings @ 10% per annum. 7) Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.20X0 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft. <p>Prepare a Trading and Profit and Loss Account for the year ended 31st March, 20X0, and a Balance Sheet as on that date. Also show the rectification entries.</p> <p style="text-align: right;">(May 2005/May 2018 RTP/Nov. 2019 RTP/Nov. 2021 RTP)</p>				Particulars	₹	Particulars	₹	Plant and Machinery	19,550	Bad debts recovered	450	Furniture and Fittings	10,250	Salaries	22,550	Bank Overdraft	80,000	Salaries payable	2,450	Capital Account	65,000	Prepaid rent	300	Drawings	8,000	Rent	4,300	Purchases	1,60,000	Carriage inward	1,125	Opening Stock	32,250	Carriage outward	1,350	Wages	12,165	Sales	2,15,300	Provision for doubtful debts	3,200	Advertisement Expenses	3,350	Provision for Discount on debtors	1,375	Printing and Stationery	1,250	Sundry Debtors	1,20,000	Cash in hand	1,450	Sundry Creditors	47,500	Cash at bank	3,125	Bad debts	1,100	Office Expenses	10,160			Interest paid on loan	3,000
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	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified.)		
ii)	Drawings A/c To Purchases A/c (Being goods withdrawn for own consumption included in purchases, now rectified.)	Dr.	3,500 3,500
iii)	Plant and machinery v To Wages A/c (Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified.)	Dr.	450 450
iv)	Advertisement expenses A/c To Purchases A/c (Being free samples distributed for publicity out of purchases, now rectified.)	Dr.	825 825

**Trading and Profit and Loss Account of Mr. XYZ
for the year ended 31st March, 20X0**

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
To Opening stock	32,250	By Sales	2,13,575
To Purchases	1,53,100	Less: Sales return	2,11,000
Less: Purchases return	(1,725)	<u>(2,575)</u>	1,25,000
	1,51,375	By Closing stock	
To Carriage inward	1,125	(₹80,000×100/80×100/80)	
To Wages	11,715		
To Gross profit c/d	1,39,535		
	3,36,000		3,36,000
To Salaries	22,550	By Gross profit b/d	1,39,535
To Rent	4,300	By Bad debts recovered	450
To Advertisement expenses	4,175		
To Printing and stationery	1,250		
To Bad debts	1,100		
To Carriage outward	1,350		
To Provision for doubtful debts			
5% of ₹ 1,20,000	6,000		
Less: Existing provision	(3,200)		
	2,800		
To Provision for discount on debtors			
2.5% of ₹ 1,14,000	2,850		
Less: Existing provision	(1,375)		
	1,475		
To Depreciation:			

Plant and machinery			
	3,000		
Furniture and fittings			
	<u>1,025</u>	4,025	
To Office expenses		10,160	
To Interest on loan		3,000	
To Net profit (Transferred to capital account)		83,800	
		<u>1,39,985</u>	<u>1,39,985</u>

Balance Sheet of Mr. XYZ as on 31st March, 20X0

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital account	65,000		Plant and machinery	20,000	
Add: Net profit	<u>83,800</u>		Less: Depreciation	<u>(3,000)</u>	17,000
	1,48,800		Furniture and fittings	10,250	
Less: Drawings	<u>(11,500)</u>	1,37,300	Less: Depreciation	<u>(1,025)</u>	9,225
Bank overdraft		80,000	Closing stock		1,25,000
Sundry creditors		47,500	Sundry debtors	1,20,000	
Payable salaries		2,450	(-) Provision for doubtful debts	(6,000)	
			(-) Provision for bad debts	<u>(2,850)</u>	1,11,150
			Prepaid rent		300
			Cash in hand		1,450
			Cash at bank		3,125
		<u>2,67,250</u>			<u>2,67,250</u>

2. Trial Balance for the financial year (FY) ended 31st March 20X1 of M/s Deepakshi shows the following details:

Particulars	Debit (₹)	Credit (₹)
Purchases and Sales	10,00,000	12,00,000
Debtors and Creditors	5,00,000	4,00,000
Opening stock	2,00,000	-
Closing stock	3,00,000	-
Other expenses and incomes	7,00,000	9,00,000
Fixed assets and Long-term liabilities	25,00,000	6,00,000
Capital	-	21,00,000
	<u>52,00,000</u>	<u>52,00,000</u>

Creditors as on 31st March 20X0 were ₹ 3,00,000.

You are required to calculate:

- 1) Cost of goods sold; and
- 2) Amount paid to creditors.

(ICAI SM)

Sol.	i) Calculation of Cost of Goods sold:					
	Particulars					₹
	Opening Stock					2,00,000
	Add: Purchases (Closing stock already adjusted)*					10,00,000
	Cost of Goods Sold					12,00,000
	*Since, closing stock appears in Trial Balance, it means following entry has already been passed in books:					
	Closing Stock A/c	Dr.	3,00,000			
	To Purchases A/c			3,00,000		
	So, we can see purchases have already been reduced by the amount of unsold stock, therefore no more adjustment needs to be made on account of closing stock for computing Cost of goods sold (COGS).					
	ii) Calculation of amount paid to creditors:					
	Date	Particulars	₹	Date	Particulars	₹
		To Bank A/c (Balancing Figure)	12,00,000	1.4.X0	By Balance b/d	3,00,000
	31.3.X1	To Balance c/d	4,00,000		By Purchases A/c (Note:1)	13,00,000
			16,00,000			16,00,000
	Note: 1) Purchases made during the year can be computed as:					
	Particulars					₹
	Purchases as per Trial Balance					10,00,000
	Add: Closing Stock already adjusted					3,00,000
	Purchases made during the year					13,00,000
3.	Particulars					₹
	Opening Inventory					1,00,000
	Purchases					6,72,000
	Carriage Inwards					30,000
	Wages					50,000
	Sales					11,00,000
	Returns inward					1,00,000
	Returns outward					72,000
	Closing Inventory					2,00,000
	Required:					
	From the above information, prepare a Trading Account of M/s. ABC Traders for the year ended 31st March, 20X0 and pass necessary closing entries in the journal proper of M/s. ABC Traders.					
	(ICAI SM)					

Sol.	In the books of M/s. ABC Traders			
	Trading Account for the year ended 31st March, 20X0			
Particulars		Amount ₹	Particulars	Amount ₹
To Opening Inventory		1,00,000	By Sales	11,00,000
To Purchases 6,72,000			Less: Returns Inward	(1,00,000)
Less: Returns (72,000) outward		6,00,000		10,00,000
To Carriage Inwards		30,000	By Closing Inventory	2,00,000
To Wages		50,000		
To Gross profit		4,20,000		
		12,00,000		12,00,000
Journal Proper in the Books of M/s. ABC Traders				
Date 20X0	Particulars		Amount ₹	Amount ₹
Mar. 31	Returns outward A/c	Dr.	72,000	
	To Purchases A/c			72,000
	(Being the transfer of returns to purchases account.)			
	Sales A/c	Dr.	1,00,000	
	To Returns Inward A/c			1,00,000
	(Being the transfer of returns to sales account.)			
	Sales A/c	Dr.	10,00,000	
	To Trading A/c			10,00,000
	(Being the transfer of balance of sales account to trading account.)			
	Trading A/c	Dr.	7,80,000	
	To Opening Inventory A/c			1,00,000
	To Purchases A/c			6,00,000
	To Wages A/c			50,000
	To Carriage Inwards A/c			30,000
	(Being the transfer of balances of opening Inventory, purchases and wages accounts.)			
	Closing Inventory A/c	Dr.	2,00,000	
	To Trading A/c			2,00,000
	(Being the incorporation of value of closing Inventory.)			
	Trading A/c	Dr.	4,20,000	
	To Gross Profit			4,20,000
	(Being the amount of gross profit.)			
	Gross profit	Dr.	4,20,000	
	To Profit and Loss A/c			4,20,000
	(Being the transfer of gross profit to Profit and Loss Account.)			
4.	Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 20X0 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.			
	Required:			
	Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 20X0. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.			
	(ICAI SM)			

In the Books of M/s ABC Traders Profit and Loss Account for the year ended 31st March, 20X0			
Dr.	Particulars	Amount ₹	Cr.
	To Salaries	1,10,000	By Gross Profit
	To Legal Charges	25,000	By Discount received
	To Consultancy Fees	32,000	
	To Audit Fees	1,000	
	To Electricity Charges	17,000	
	To Telephone, Postage & Telegrams	12,000	
	To Stationery	27,000	
	To Depreciation	65,000	
	To Discount Allowed	19,000	
	To Bad Debts	17,000	
	To Interest	70,000	
	To Net Profit	43,000	
		4,38,000	4,38,000

Journal Proper in the Books of M/s. ABC Traders			
Date 20X0	Particulars	Amount ₹	Amount ₹
March 31	Profit & Loss Account Dr. To Salaries A/c To Legal Charges A/c To Consultancy Fees A/c To Audit Fees A/c To Electricity Charges A/c To Telephone, Postage & Telegrams A/c To Stationery A/c To Depreciation A/c To Discount Allowed A/c To Bad Debts A/c To Interest A/c (Being the transfer of balances of various expenses accounts.)	3,95,000	
	Discount Received A/c Dr. To Profit & Loss A/c (Being the transfer of discount received account balance.)	18,000	1,10,000 25,000 32,000 1,000 17,000 12,000 27,000 65,000 19,000 17,000 70,000
	Gross Profit A/c Dr. To Profit & Loss A/c (Being the transfer of gross profit from Trading Account.)	4,20,000	18,000
	Profit & Loss A/c Dr. To Net Profit A/c (Being the ascertainment of net profit.)	43,000	4,20,000
	Net Profit A/c Dr. To Capital A/c (Being the transfer of net profit to Capital A/c.)	43,000	43,000

5.	<p>On 1st Jan. 20X0 provision for Doubtful Debts existed at ₹40,000. Trade receivables on 31.12.20X0 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.</p> <p>Required: Show how you would compute the amount debited to the Profit and Loss Account.</p> <p style="text-align: right;">(ICAI SM)</p>																																																						
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6.	<p>The following is the Trial Balance of C. Wanchoo on 31st Dec. 20X0.</p> <p style="text-align: center;">Trial Balance on 31st December, 20X0</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">₹</th> <th style="text-align: center;">₹</th> </tr> </thead> <tbody> <tr> <td>Capital Account</td> <td></td> <td style="text-align: right;">10,00,000</td> </tr> <tr> <td>Inventory Account</td> <td style="text-align: right;">2,00,000</td> <td></td> </tr> <tr> <td>Cash in hand</td> <td style="text-align: right;">1,44,000</td> <td></td> </tr> <tr> <td>Machinery Account</td> <td style="text-align: right;">7,36,000</td> <td></td> </tr> <tr> <td>Purchases Account</td> <td style="text-align: right;">18,20,000</td> <td></td> </tr> <tr> <td>Wages Account</td> <td style="text-align: right;">10,00,000</td> <td></td> </tr> <tr> <td>Salaries Account</td> <td style="text-align: right;">10,00,000</td> <td></td> </tr> <tr> <td>Discount Allowed A/c</td> <td style="text-align: right;">50,000</td> <td></td> </tr> <tr> <td>Discount Received A/c</td> <td></td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>Sundry Office Expenses Account</td> <td style="text-align: right;">6,00,000</td> <td></td> </tr> <tr> <td>Sales Account</td> <td></td> <td style="text-align: right;">50,00,000</td> </tr> <tr> <td>Sums owing by customer (Trade receivables)</td> <td style="text-align: right;">8,50,000</td> <td></td> </tr> <tr> <td>Trade payables (sums owing to suppliers)</td> <td></td> <td style="text-align: right;">3,70,000</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">64,00,000</td> <td style="text-align: right;">64,00,000</td> </tr> </tbody> </table> <p>Value of Closing Inventory on 31st Dec. 20X0 was ₹2,70,000</p> <p>Required: Prepare closing entries for the above items and Prepare Trading and Profit and Loss Account.</p> <p style="text-align: right;">(ICAI SM)</p>	Particulars	₹	₹	Capital Account		10,00,000	Inventory Account	2,00,000		Cash in hand	1,44,000		Machinery Account	7,36,000		Purchases Account	18,20,000		Wages Account	10,00,000		Salaries Account	10,00,000		Discount Allowed A/c	50,000		Discount Received A/c		30,000	Sundry Office Expenses Account	6,00,000		Sales Account		50,00,000	Sums owing by customer (Trade receivables)	8,50,000		Trade payables (sums owing to suppliers)		3,70,000	Total	64,00,000	64,00,000									
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Sol.	Journal Proper in the Books of M/s. ABC Traders				
	Date 20X0	Particulars	Amount ₹	Amount ₹	
	Dec. 31	Trading Account Dr. To Inventory Account To Purchase A/c To Wages A/c (Being the accounts in the Trial Balance which have to be transferred to the Trading Account debit side.)	30,20,000	2,00,000 18,20,000 10,00,000	
	Dec. 31	Sales Account Dr. To Trading A/c (Being the amount of Sales transferred to the credit of Trading Account.)	50,00,000	50,00,000	
	Dec. 31	Inventory (Closing) A/c Dr. To Trading A/c (Being the value of Inventory on hand on 31st Dec. 2020.)	2,70,000	2,70,000	
	Dec. 31	Trading A/c Dr. To Profit and Loss A/c (Being the transfer of gross profit.)	22,50,000	22,50,000	
	Dec. 31	Profit and Loss A/c Dr. To Discount Allowed A/c To Salaries A/c To Sundry Office Expenses A/c (Being the various expense accounts transferred to the P & L Account.)	16,50,000	50,000 10,00,000 6,00,000	
	Dec. 31	Discount Received A/c Dr. To P & L Account (Being the credit balance of discount received transferred to Profit and Loss A/c.)	30,000	30,000	
	Dec. 31	Profit and Loss A/c Dr. To Capital A/c (Being the transfer to Net Profit to the Capital Account.)	6,30,000	6,30,000	
C. WANCHOO					
Trading Account of the year ended December 31, 20X0					
		Particulars	₹	Particulars	₹
		To Inventory A/c	2,00,000	By Sales A/c	50,00,000
		To Purchases	18,20,000	By Inventory (Closing)	2,70,000
		To Wages	10,00,000		
		To Gross profit transferred to P & L A/c	22,50,000		
			52,70,000		52,70,000

Profit and Loss Account for the year ended December 31, 20X0			
Particulars	₹	Particulars	₹
To Salaries	10,00,000	By Gross profit transferred	22,50,000
To Discount Allowed	50,000	from the Trading Account	
To Sundry Office Expenses	6,00,000	By Discount Received	30,000
To Net Profit transferred to Capital A/c	6,30,000		
	22,80,000		22,80,000

7. Given below Trial Balance of M/s Dayal Bros. as on 31st March, 20X0:

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

Required: Prepare Balance Sheet as on 31st March, 20X0. (ICAI SM)

Sol. **In the Books of M/s Dayal Bros.
Balance Sheet
as on 31st March, 20X0**

Liabilities	₹	Assets	₹
Capital: Balances	7,00,000	Land & Building	3,00,000
Add: Net Profit	1,00,000	Furniture	2,00,000
	8,00,000	Inventories in Trade	6,00,000
Less: Drawings	(60,000)	Trade receivables	4,20,000
14% Term Loan	4,00,000	Advances to Suppliers	1,00,000
Loan from M/s D & Co.	4,60,000	Cash in Hand	20,000
Trade payables	40,000		
	16,40,000		16,40,000

8. The balance sheet of Thapar on 1st January, 20X0 was as follows:

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

During 20X0, his Profit and Loss Account revealed a net profit of ₹ 15,30,000. This was after allowing for the following:

- Interest on capital @ 6% p.a.
- Depreciation on Plant and Machinery @ 10% and on Furniture and Fixtures @ 5%.

	<p>c) A provision for Doubtful Debts @ 5% of the trade receivables as at 31st December, 20X0.</p> <p>But while preparing the Profit and Loss Account he had forgotten to provide for:</p> <p>1) outstanding expenses totalling ₹ 1,80,000 and</p> <p>2) prepaid insurance to the extent of ₹ 20,000.</p> <p>His current assets and liabilities on 31st December, 20X0 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.</p> <p>Required: Draw up his Balance Sheet at the end of the year. (ICAI SM)</p>			
Sol.	Profit and Loss Account (Revised)			
	Particulars	₹	Particulars	₹
	To Outstanding expenses To Net profit	1,80,000 13,70,000 15,50,000	By Balance b/d By Prepaid insurance	15,30,000 20,000 15,50,000
	Balance Sheet of Thapar as on 31st December, 20X0			
	Liabilities	₹	Assets	₹
	Capital Add: Net Profit	50,00,000 13,70,000 <hr/> 63,70,000	Cash at Bank Trade receivables Less: Provision for doubtful debts	10,35,000 20,00,000 <hr/> (1,00,000) 19,00,000
	Less: Drawings	(6,00,000) <hr/> 57,70,000	Plant and Machinery Less: Depreciation	30,00,000 <hr/> (3,00,000) 27,00,000
	Add: Interest on capital	3,00,000 <hr/> 60,70,000	Furniture & Fixtures Less: Depreciation	3,00,000 <hr/> (15,000) 2,85,000
	Outstanding expenses Trade payables	1,80,000 11,40,000 <hr/> 73,90,000	Inventories Prepaid insurance	<hr/> 14,50,000 20,000 <hr/> 73,90,000
9.	BALANCE SHEET			
	As at 31st December, 20X0			
	Liabilities	₹	Assets	₹
	Mahendra & Sons Capital	5,60,000 20,00,000 <hr/> 25,60,000	Cash in hand Cash at Bank Trade receivables Closing Inventory Machinery and Equipment	43,000 2,67,500 7,49,500 9,00,000 6,00,000 <hr/> 25,60,000
	Required: From the above given balance sheet prepare the relevant opening entry. (ICAI SM)			

Sol.	The Opening Entry :01-01-20X0			
	Particulars		Dr. ₹	Cr. ₹
	Cash A/c	Dr.	43,000	
	Bank A/c	Dr.	2,67,500	
	Trade receivables	Dr.	7,49,500	
	Inventory A/c	Dr.	9,00,000	
	Machinery and Equipment A/c	Dr.	6,00,000	
	To Mahendra & Sons A/c			5,60,000
	To Capital A/c			20,00,000
	(Being the balances brought forward.)			
10.	Shri Mittal gives you the following Trial Balance and some other information:			
	Trial Balance as on 31st March, 20X1			
	Particulars		Dr. ₹	Cr. ₹
	Capital			8,70,000
	Purchases and Sales		6,05,000	12,10,000
	Opening Inventory		72,000	
	Trade receivables and Trade payables		90,000	1,70,000
	14% Bank Loan (loan taken at year-end)			2,00,000
	Overdrafts (overdraft taken at year end)			1,12,000
	Salaries		2,70,000	
	Advertisements		1,10,000	
	Other expenses		60,000	
	Returns		40,000	30,000
	Furniture		4,50,000	
	Building		8,90,000	
	Cash in Hand		5,000	
			25,92,000	25,92,000
	Closing Inventory on 31st March, 20X1 was valued at ₹ 1,00,000.			
	Required: Prepare final accounts of Shri Mittal for the year ended 31st March, 20X1.			
	(ICAI SM)			
Sol.	In the books of Shri Mittal			
	Trading Account for the year ended 31st March, 20X1			
	Particulars	Amount ₹	Particulars	Amount ₹
	To Opening inventory	72,000	By Sales	12,10,000
	To Purchases	6,05,000	Less: Returns	(40,000)
	Less: Returns	(30,000)	By Closing inventory	1,00,000
	To Gross Profit	6,23,000		
		12,70,000		12,70,000

Profit and Loss Account for the year ended 31st March, 20X1			
Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	2,70,000	By Gross profit	6,23,000
To Advertisement	1,10,000		
To Other expenses	60,000		
To Net profit	1,83,000		
	6,23,000		6,23,000
Balance Sheet as on 31st March, 20X1			
Liabilities	Amount ₹	Assets	Amount ₹
Capital	8,70,000	Building	8,90,000
Add: Net profit	1,83,000	Furniture	4,50,000
	10,53,000	Trade receivables	90,000
14% Bank Loan	2,00,000	Closing inventory	1,00,000
Trade payables	1,70,000	Cash in hand	5,000
Overdrafts	1,12,000		
	15,35,000		15,35,000
Note: As loan and overdraft taken at year end so no interest shown.			
11.	Mr. Mohan gives you the following trial balance and some other information:		
Trial Balance as on 31st March, 20X1			
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	1,87,000		
	18,31,000	18,31,000	
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 31.3.20X1 and Balance Sheet of Mr. Mohan as on that date. (ICAI SM)			

Sol.	In the books of Mr. Mohan			
	Trading Account for the year ended 31st March, 20X1			
Particulars		Amount ₹	Particulars	Amount ₹
To Opening Inventory		1,10,000	By Sales	9,70,000
To Purchases 4,30,000			Less: Returns (20,000)	9,50,000
Less: Returns (12,000)		4,18,000	By Closing Inventory	1,80,000
To Freight Inwards		40,000		
To Gross profit		5,62,000		
		11,30,000		11,30,000
Profit and Loss Account				
for the year ended 31st March, 20X1				
Particulars		₹	Particulars	₹
To Depreciation		35,000	By Gross profit	5,62,000
To Salaries		2,10,000	By Discount received	9,000
To Administration expenses		1,50,000		
To Discount allowed		19,000		
To Bad debts		5,000		
To Net profit		1,52,000		
		5,71,000		5,71,000
Balance Sheet as on 31st March, 20X1				
Liabilities		Amount ₹	Assets	Amount ₹
Capital 6,50,000			Furniture 3,50,000	
Add: Net profit 1,52,000		8,02,000	Less: Depreciation (35,000)	3,15,000
Trade payables		1,90,000	Closing Inventory	1,80,000
			Trade receivables	2,10,000
			Investment in Govt	
			Securities	1,00,000
			Cash in Hand and	
			Cash at Bank	1,87,000
		9,92,000		9,92,000
12.	The Balance Sheet of Mr. Popatlal, a merchant on 31st March, 20X1 stood as below:			
	Liabilities		Amount (₹)	Assets
Capital		2,40,000	Fixed Assets	1,25,600
Trade payables		1,64,000	Inventories	2,06,400
Bank Overdraft		1,46,000	Trade receivables 1,88,000	
			Less: Provision (6,200)	1,81,800
			Cash	36,200
		5,50,000		5,50,000
Required:				
Show opening journal entry on 1st April, 20X0 in the books of Mr. Popatlal.				
(ICAI SM)				

Sol.	Opening entry			
	Date	Particulars	Dr. (₹)	Cr. (₹)
	1.4.20X0	Fixed Assets A/c Inventories A/c Trade receivables A/c Cash A/c To Trade payables A/c To Bank Overdraft A/c To Provision for Doubtful Debts A/c To Capital A/c (Being opening entry made.)	Dr. 1,25,600 Dr. 2,06,400 Dr. 1,88,000 Dr. 36,200	1,64,000 1,46,000 6,200 2,40,000
13.	The following is the schedule of balances as on 31.3.X1 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of M/s Gavaskar Viswanath & Co., at Bombay:			
		Particulars	Dr. ₹	Cr. ₹
		Cash in hand	14,000	
		Cash at bank	26,000	
		Sundry Debtors	8,60,000	
		Stock on 1.4.20X0	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 Go down	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 20X1 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 go-down is outstanding.
- 4) Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.20X0.
- 5) Reserve 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 1.4.20X0 to 30.6.X1

(ICAI SM)

Sol.

M/s Gavaskar Viswanath & Co.
Trading for the year ended 31st March 20X1

Particulars	Details	Amount ₹	Particulars	Details	Amount ₹
To opening Stock		6,20,000	By Sales	23,00,000	
To Purchases	14,00,000		Less: Sale of furniture included in sale	14,000	
Less: Typewriter included in purchases	40,000		Less: Sales Returns	42,000	22,44,000
Less: Purchase Returns	26,000	13,34,000	By Closing Stock		4,40,000
To Freight on purchase		12,000			
To Gross Profit c/d		7,18,000			
		26,84,000			26,84,000

M/s Gavaskar Viswanath & Co.
Profit/Loss Account for the year ended 31st March 20X1

Particulars	Details	Amount ₹	Particulars	Details	Amount ₹
To Salaries		1,10,000	By Gross profit b/d		7,18,000
To Rent for Go-down	55,000		By Discount received		16,000
Add: Outstanding	11,000	66,000			
To provision for doubtful debts		33,000			
(4) To Rent and Taxes		21,000			
To Discount Allowed		24,000			
To Carriage outwards		20,000			
To printing and stationery		18,000			
To Electricity charges		22,000			
To Insurance premium (1)		12,000			
To Depreciation (2)		1,20,000			
To general office expenses		30,000			
To Bank Charges		16,000			
To interest on loan					
Add: Outstanding (3)	27,000				
To Motor car expenses	6,000	33,000			
To Net Profit		36,000			
		1,73,000			
		7,34,000			7,34,000

Balance Sheet of M/s Gavaskar Vishwanath & Co. as at 31st March 20X1

Liabilities	Details	Amount ₹	Assets	Details	Amount ₹
Capital	16,20,000		Building	6,00,000	
Add: Net Profit	1,73,000		Less: Dep.	(30,000)	5,70,000
Less: Drawings	(1,20,000)		Motor Car	2,00,000	
Less: Insurance Premium	(40,000)	16,33,000	Less: Dep.	(40,000)	1,60,000
Loan from Vishwanath	3,00,000		Office equipment	2,00,000	
Add: Outstanding	6,000	3,06,000	Less: Dep.	(30,000)	1,70,000
Sundry Creditors		4,30,000	Furniture & Fixture	2,00,000	
Outstanding rent		11,000	Less: Dep.	(20,000)	1,80,000
			Stock in Trade		4,40,000
			Sundry Debtors	8,60,000	
			Less: Provision	(43,000)	8,17,000
			for doubtful debts		
			Cash at hand		26,000
			Cash in bank		14,000
			Prepaid insurance		3,000
			(1)		
		23,80,000			23,80,000

Working Notes:

Grooming Education Academy

1) Insurance premium

Insurance premium as given in trial balance	55,000
Less: Personal premium	(40,000)
Less: Prepaid for 3 months (15,000/15× 3)	(3,000)
Transfer to Profit and loss A/c	12,000

2) Depreciation

Building @ 5% on ₹ 6,00,000	30,000
Motor Car @ 20% on ₹ 2,00,000	40,000
Furniture & Fittings @ 10% on ₹ 2,00,000 (₹ 2,14,000 - ₹ 14,000)	20,000
Office Equipment @ 15% on ₹ 2,00,000 (₹ 1,60,000 + ₹ 40,000)	30,000
Total	1,20,000

3) Interest on Loan

Interest on Loan (3,00,000 × 12% × 11/12)	33,000
Less: Interest as per Trial Balance P/L Account (Outstanding)	(27,000)
	6,000

4)			
Provision for bad debts A/c			
Particulars	Amount ₹	Particulars	Amount ₹
To bad debts A/c	20,000	By balance b/d	30,000
To balance c/d	43,000	By P&L A/c	33,000
	63,000		63,000

14. Crimpson Ltd.'s profit and loss account for the year ended 31st March, 20X0 includes the following information:

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

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

(ICAI SM)

Sol.

a) Transfer to provisions - i), iii) vi)
b) Transfer to reserves - v)
c) Neither related to provisions nor reserves - ii), iv).

15. From the following particulars extracted from the books of Ganguli, prepare trading and profit and loss account and balance sheet as at 31st March, 20X1 after making the necessary adjustments:

Particulars	₹	Particulars	₹
Ganguli's capital account (Cr.)	5,40,500	Interest received	72,500
Stock on 1.4.20X0	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.20X0	25,000
Purchases	12,15,500	Furniture as on 1-4-20X0	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000
Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-20X0 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

Adjustments:

- 1) Value of stock as on 31st March, 20X1 is ₹ 3,93,000. This includes goods returned by customers on 31st March, 20X1 to the value of ₹ 15,000 for which no entry has been passed in the books.
- 2) Purchases include furniture purchased on 1st January, 20X1 for ₹ 10,000.
- 3) Depreciation should be provided on furniture at 10% per annum.
- 4) The loan account from Dena bank in the books of Ganguli appears as follows:

Date	Particulars	₹	Date	Particulars	₹
31.03.20X1	To Balance b/d	1,00,000	01.04.20X0	By Balance b/d	50,000
			31.03.20X1	By Bank A/c	50,000
		1,00,000			1,00,000

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

(ICAI SM)

Sol.

In the books of Ganguli**Trading and Profit & Loss Account for the year ended 31-3-20X1**

Particulars	₹	Particulars	₹
To Opening stock	2,34,000	By Sales	14,48,000
To Purchases	12,15,500	Less: Returns	(58,000)
Less: Transfer to furniture A/c	(10,000)	By Closing stock	3,93,000
Less: Returns	(29,000)		
To Carriage inwards	93,000		
To Gross profit c/d	2,79,500		
	17,83,000		17,83,000
To Salaries	46,500	By Gross profit b/d	2,79,500
To Rent	28,500	By Interest	17,250
To Advertisement	56,000	By Discount received	14,950
To Printing & stationery	17,000		
To Interest	7,500		
To Discount allowed	37,700		
To General expenses	19,600		
To Travelling expenses	11,650		
To Fire insurance premium	3,000		
To Postage & telegrams	4,350		
To Provision for doubtful debts (W.N.I)	4,750		

To Depreciation on furniture		1,150		
To Audit fees		3,500		
To Capital A/c (Net profit transferred)		70,500		
		3,11,700		3,11,700

Balance Sheet as on 31-3-20X1

Liabilities		₹	Assets		₹
Capital account:			Furniture	9,000	
Balance on 1-4-X0	5,40,500		Additions during the year	10,000	
Add: Net profit	70,500			19,000	
	<u>6,11,000</u>			(1,150)	17,850
Less: Drawings	(50,000)	5,61,000	Less: Depreciation		
Loan from Dena Bank Ltd.		1,00,000	Investments		25,000
Insurance accrued on bank loan (W.N.2)		3,000	Deposits		1,50,000
Sundry creditors		64,000	Interest accrued on investment & deposits (W.N.3)		10,000
			Stock in trade	95,000	3,93,000
			Sundry debtors	(4,750)	
			Less: Provision		90,250
			Cash with Traders Bank Ltd.		40,000
			Cash in hand		1,900
		7,28,000			7,28,000

Working Notes:**3) Calculation of provision for doubtful debts:**

Sundry debtors as per trial balance	1,20,000
Less: Sales returns not recorded	(15,000)
	<u>1,05,000</u>
Less: Cancellation against sundry creditors	(10,000)
Adjusted balance of sundry debtors	<u>95,000</u>
Provision for doubtful debts @ 5%	4,750

2) Accrued interest on bank loan:

Annual interest @12%	6,000
Less: Interest paid to Dena bank	(3,000)
Accrued interest	<u>3,000</u>

3) Interest accrued on investments and deposits:

Annual interest on investments @ 5%	1,250
Annual interest on deposits @ 10%	15,000
	<u>16,250</u>
Less: Interest received on investments and deposits	(6,250)
Accrued interest	10,000

- 16.** Sengupta & Co. employs a team of eight workers who were paid ₹ 30,000 per month each in the year ending 31st December, 20X0. At the start of 20X1, the company raised salaries by 10% to ₹ 33,000 per month each. On July 1, 20X1 the company hired two trainees at salary of ₹ 21,000 per month each.

	<p>The work force is 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.</p> <p>You are required to calculate:</p> <p>i) Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 20X1.</p> <p>ii) Amount actually paid as salaries during 20X1.</p> <p>iii) Outstanding Salaries as on 31st December, 20X1. (ICAI SM)</p>																																				
Sol.	<p>i) Salaries to be charged to profit and loss account for the year ended 31st December, 20X1:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Salaries of 8 employees for full year @ ₹ 33,000 per month each</td> <td style="text-align: right;">31,68,000</td> </tr> <tr> <td>Salaries of 2 trainees for 6 months @ ₹ 21,000 per month</td> <td style="text-align: right;"><u>2,52,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">34,20,000</td> </tr> </table> <p>ii) Salaries actually paid in 20X1</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">December, 20X0 salaries paid in January, 20X1 (8 × 30,000)</td> <td style="text-align: right;">2,40,000</td> </tr> <tr> <td>Salaries of 8 employees for January to November, 20X1 paid in February-December, 20X1 @ ₹ 33,000 for 11 months</td> <td style="text-align: right;">29,04,000</td> </tr> <tr> <td>Salaries of 2 trainees for July to November paid in August-December @ ₹ 21,000 for 5 months</td> <td style="text-align: right;"><u>2,10,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">33,54,000</td> </tr> </table> <p>iii) Outstanding salaries as at 31st December, 20X1</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">8 employees @ ₹ 33,000 each for 1 month</td> <td style="text-align: right;">2,64,000</td> </tr> <tr> <td>2 trainees @ ₹ 21,000 each for 1 month</td> <td style="text-align: right;"><u>42,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">3,06,000</td> </tr> </table>	Salaries of 8 employees for full year @ ₹ 33,000 per month each	31,68,000	Salaries of 2 trainees for 6 months @ ₹ 21,000 per month	<u>2,52,000</u>		34,20,000	December, 20X0 salaries paid in January, 20X1 (8 × 30,000)	2,40,000	Salaries of 8 employees for January to November, 20X1 paid in February-December, 20X1 @ ₹ 33,000 for 11 months	29,04,000	Salaries of 2 trainees for July to November paid in August-December @ ₹ 21,000 for 5 months	<u>2,10,000</u>		33,54,000	8 employees @ ₹ 33,000 each for 1 month	2,64,000	2 trainees @ ₹ 21,000 each for 1 month	<u>42,000</u>		3,06,000																
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17.	<p>You are required, prepare a Trading and Profit and Loss Account for the year ending 31st March, 20X1 and a Balance Sheet as on that date from the Trial Balance given below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">₹</th> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">₹</th> </tr> </thead> <tbody> <tr> <td>Debit Balance:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">3,50,000</td> <td>Salaries</td> <td style="text-align: right;">2,20,000</td> </tr> <tr> <td>Inventory 1st April, 20X0</td> <td style="text-align: right;">5,00,000</td> <td>Purchases</td> <td style="text-align: right;">12,50,000</td> </tr> <tr> <td>Cash in Hand</td> <td style="text-align: right;">5,60,000</td> <td>Plant and Machinery</td> <td style="text-align: right;">15,70,000</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">3,00,000</td> <td>Credit Balance:</td> <td></td> </tr> <tr> <td>Bad Debts</td> <td style="text-align: right;">50,000</td> <td>Capital</td> <td style="text-align: right;">25,00,000</td> </tr> <tr> <td>Furniture and Fixtures</td> <td style="text-align: right;">1,50,000</td> <td>Trade payables</td> <td style="text-align: right;">9,00,000</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">1,50,000</td> <td>Sales</td> <td style="text-align: right;">17,00,000</td> </tr> </tbody> </table> <p>On 31st March, 20X1 the Inventory was valued at ₹ 10,00,000. (ICAI SM)</p>	Particulars	₹	Particulars	₹	Debit Balance:				Trade receivables	3,50,000	Salaries	2,20,000	Inventory 1st April, 20X0	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
Particulars	₹	Particulars	₹																																		
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Depreciation	1,50,000	Sales	17,00,000																																		

Sol.	Trading and Profit and Loss Account for the year ending 31st March, 20X1					
	Particulars		₹	Particulars		₹
	To Opening Inventory		5,00,000	By Sales	17,00,000	
	To Purchases		12,50,000	By Closing Inventory	10,00,000	
	To Wages		3,00,000			
	To Gross Profit		6,50,000			
			27,00,000		27,00,000	
	To Bad Debts		50,000	By Gross Profit	6,50,000	
	To Depreciation		1,50,000			
	To Salaries		2,20,000			
	To Net Profit transferred. to Capital A/c		2,30,000			
			6,50,000		6,50,000	
	Balance Sheet as at 31st March, 20X1					
	Liabilities		₹	Assets		₹
	Trade payables		9,00,000	Cash in Hand	5,60,000	
	Capital			Trade receivables	3,50,000	
	Previous Balance	25,00,000		Closing Inventory	10,00,000	19,10,000
	Add: Net Profit	2,30,000	27,30,000	Furniture & Fixtures	1,50,000	
				Plant & Machinery	15,70,000	17,20,000
			36,30,000			36,30,000
18.	<p>Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 20X1 has been given below:</p> <p>On 1.4.20X0 he had a balance of ₹ 2,00,000 advance from customers of which ₹ 1,50,000 is related to year 20X0-X1 while remaining pertains to year 20X1-X2. During the year 20X0-X1 he made cash sales of ₹ 5,00,000. You are required to compute:</p> <p>i) Total income for the year 20X0-X1.</p> <p>ii) Total money received during the year if the closing balance in advance from customers account is ₹ 1,70,000.</p> <p style="text-align: right;">(ICAI SM)</p>					

Sol.	i) Computation of Income for the year 20X0-X1:					
	Particulars					₹
	Money received during the year related to 20X0-X1					5,00,000
	Add: Money received in advance during previous years					1,50,000
	Total income of the year 20X0-X1					6,50,000
	ii)					
	Advance from Customers A/c					
	Date	Particulars	₹	Date	Particulars	₹
		To Sales A/c (Advance related to current year transferred to sales)	1,50,000	1.4.20X0	By Balance b/d	2,00,000
					By Bank A/c (Balancing Figure)	1,20,000
31.3.X1	To Balance c/d	1,70,000				
		3,20,000			3,20,000	
So, total money received during the year is:						
Particulars					₹	
Cash Sales during the year					5,00,000	
Add: Advance received during the year					1,20,000	
Total money received during the year					6,20,000	
19.	Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows:					
Trading and P&L A/c for the year ended 31st March, 20X0						
Particulars		₹	Particulars		₹	
To Cost of Goods Sold		45,00,000	By Sales		C	
To Gross Profit c/d		D			F	
		F			D	
To Rent A/c		26,00,000	By Gross Profit b/d		D	
To Office Expenses		13,00,000	By Miscellaneous Income		E	
To Selling Expenses		B				
To Commission to Manager (on Net Profit before charging such commission)		2,00,000				
To Net Profit		A				
		G			60,00,000	
Commission is charged at the rate of 10%. Selling Expenses amount to 1% of total sales. You are required to compute the missing figures.						
[ICAI SM/ Past Exam Nov 2018(Modified)]						

Sol.

A) Computation of Net Profit:

Commission Manager = Rate of Commission × Net Profit before charging such commission

So, Commission to manager = $10/100 \times$ Net Profit before charging such commission

=> ₹ 2,00,000 = $10/100 \times$ Net Profit before charging such commission

=> Net Profit before charging such commission = ₹ 20,00,000

=> Net Profit (A) = ₹ (20,00,000 - 2,00,000) = ₹ 18,00,000

B) Computation of Selling Expenses:

Total income appearing in P&L A/c = ₹ 60,00,000

Total expenses other than selling expenses = ₹ (26,00,000 + 13,00,000 + 2,00,000)

= ₹ 41,00,000

So,

Selling Expenses + Remaining Expenses + Net Profit = Total Income

=> Selling Expenses = ₹ 60,00,000 - ₹ 41,00,000 - ₹ 18,00,000

=> Selling Expenses = ₹ 1,00,000

C) Computation of Sales:

We have been given selling expenses amount to 1% of Sales

So, Sales = $\frac{\text{Selling Expenses}}{1} \times 100 = \frac{1,00,000}{1} \times 100 = ₹ 100,00,000$

D) Computation of Gross Profit:**Trading Account**

Particulars	₹	Particulars	₹
To COGS	45,00,000	By Sales (from C above)	100,00,000
To Gross Profit (Balancing Figure)	55,00,000		
Total (F)	100,00,000	Total (F)	100,00,000

E) Miscellaneous Income = Total Income in P&L - Gross Profit

= ₹ (60,00,000 - 55,00,000)

= ₹ 5,00,000

F = ₹ 100,00,000 (As computed in D above)

G = ₹ 60,00,000 (Total of both sides of P&L is equal after balancing has been done)

20.

The following is the trial balance of Hari as at 31st December, 20X0:

Particulars	Dr. ₹	Cr. ₹
Hari's capital account	-	76,690
Stock 1st January, 20X0	46,800	-
Sales	-	3,89,600
Returns inward	8,600	-
Purchases	3,21,700	-
Returns outward	-	5,800
Carriage inwards	19,600	-
Rent & taxes	4,700	-
Salaries & wages	9,300	-
Sundry debtors	24,000	-
Sundry creditors	-	14,800
Bank loan @ 14% p.a.	-	20,000
Bank interest	1,100	-
Printing and stationary expenses	14,400	-
Bank balance	8,000	-
Discount earned	-	4,440
Furniture & fittings	5,000	-
Discount allowed	1,800	-
General expenses	11,450	-
Insurance	1,300	-
Postage & telegram expenses	2,330	-
Cash balance	380	-
Travelling expenses	870	-
Drawings	30,000	-
	5,11,330	5,11,330

The following adjustments are to be made:

- 1) Included amongst the debtors is ₹ 3,000 due from Ram and included among the creditors ₹ 1,000 due to him.
- 2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- 3) Depreciation on furniture & fittings @ 10% shall be written off.
- 4) Personal purchases of Hari amounting to ₹ 600 had been recorded in the purchase day book.
- 5) Interest on bank loan shall be provided for the whole year.
- 6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- 7) Credit purchase invoice amounting to ₹ 400 had been omitted from the books.
- 8) Stock on 31.12.20X0 was ₹ 78,600.

Prepare (i) Trading & profit and loss account for the year ended 31.12.20X0 and (ii) Balance sheet as on 31st December, 20X0.
(RTP Nov 2018)

Sol.	Trading and Profit and Loss Account of Mr. Hari for the year ended 31st December, 20X0					
	Particulars		₹	Particulars		₹
	To Opening stock		46,800	By Sales	3,89,600	
	To Purchases	3,21,700		Less: Returns	8,600	3,81,000
	Add: Omitted Invoice	400		By Closing stock		78,600
		<u>3,22,100</u>				
	Less: Returns	5,800				
		<u>3,16,300</u>				
	Less: Drawings	600	3,15,700			
	To Carriage		19,600			
	To Gross profit c/d		77,500			
			4,59,600			4,59,600
	To Rent and taxes		4,700	By Gross profit b/d		77,500
	To Salaries and wages		9,300	By Discount		4,440
	To Bank interest	1,100				
	Add: Due	1,700	2,800			
	To Printing and stationary	14,400				
	Less: Prepaid (1/4)	3,600	10,800			
	To Discount allowed		1,800			
	To General expenses		11,450			
	To Insurance		1,300			
	To Postage & telegram expenses		2,330			
	To Travelling expenses		870			
	To Provision for bad debts [WN (ii)]		1,150			
	To Provision for discount on debtors [WN (iii)]		437			
	To Depreciation on furniture & fittings		500			
	To Net profit		34,503			
			81,940			81,940
	Balance Sheet of Hari as at 31st December, 20X0					
	Liabilities		₹	Assets		₹
	Capital	76,690		Furniture & fittings	5,000	
	Add: Net profit	34,503		Less: Depreciation	500	4,500
		<u>1,11,193</u>		Sundry debtors (W.N.1)	23,000	
	Less: Drawings:			Less: Provision for bad & doubtful debts (W.N.2)	1,150	
	Cash	30,000			<u>21,850</u>	
	Goods	<u>600</u>	30,600	80,593		
	Bank loan		20,000	Less: Provision for discount (W.N.2)	437	21,413
	Bank interest due		1,700	Stock		78,600
	Sundry creditors (W.N.3)		14,200	Prepaid expenses:		
				Printing & stationary		3,600
				Bank balance		8,000
				Cash balance		380
			1,16,493			1,16,493

Working Notes:**1) Sundry debtors:**

Balance as per trial balance	₹ 24,000
Less: Due to Ram	<u>₹ 1,000</u>
	<u>₹ 23,000</u>

2) Provision for bad & doubtful debts:

@ 5% on ₹ 23,000	<u>₹ 1,150</u>
Provision for discount:	
2% on ₹ 21,850 (23,000 - 1,150)	<u>₹ 437</u>

3) Sundry creditors

Balance as per trial balance	14,800
Less: Set off in respect of Ram	<u>1,000</u>
	13,800
Add: Purchase invoice omitted	<u>400</u>
	<u>14,200</u>

21. The following is the Trial Balance of T on 31st March, 20X1:

Particulars	Dr. ₹	Cr. ₹
Capital	-	6,00,000
Drawings	70,000	-
Fixed Assets (Opening)	1,40,000	-
Fixed Assets (Additions 01.10.20X1)	2,00,000	-
Opening Stock	60,000	-
Purchases	16,00,000	-
Purchases Returns	-	69,000
Sales	-	22,00,000
Sales Returns	99,000	-
Debtors	2,50,000	-
Creditors	-	2,20,000
Expenses	50,000	-
Fixed Deposit with Bank	2,00,000	-
Interest on Fixed Deposit	-	20,000
Cash	-	8,000
Suspense A/c	-	2,000
Depreciation	14,000	-
Rent (17 months up to 31.8.20X1)	17,000	-
Investments 12% (01.8.20X0)	2,50,000	-
Bank Balance	1,69,000	-
	31,19,000	31,19,000

Stock on 31st March, 20X1 was valued at ₹ 1,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters:

- i) ₹ 20,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn ₹ 12,000 was used in the business for day-to-day expenses.
- ii) Purchase of goods worth ₹ 16,000 was not recorded in the books of account up to 31.03.20X1, but the goods were included in stock.
- iii) Purchase returns of ₹ 1,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.
- iv) Expenses include ₹ 6,000 in respect of the period after 31st March, 20X1.

Give the necessary journal entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 20X1. **(RTP May 2019)**

Sol.

Journal Entries

S.No.	Particulars		Dr. (₹)	Cr. (₹)
i)	Expenses A/c To Drawings (Entry for the amount wrongly debited to the latter A/c, now corrected)	Dr.	12,000	12,000
ii)	Purchase A/c To Creditors (Entry for purchases not recorded)	Dr.	16,000	16,000
iii)	Suspense A/c To Purchase Returns To Sales Returns (Rectification entry for amount wrongly entered in Sales Journal)	Dr.	2,000	1,000 1,000
iv)	Prepaid Expenses A/c To Expenses (Prepaid expenses adjusted)	Dr.	6,000	6,000

Grooming Education Academy
Pioneer in **Trading and Profit and Loss**
Account of T

Dr.		Cr.	
for the year ending 31st March, 20X1			
Particulars	₹	Particulars	₹
To Opening Stock	60,000	By Sales	22,00,000
To Purchases	16,00,000	Less: Sales Return	
Add: Amount not recorded	16,000	(99,000 - 1,000)	98,000
	16,16,000	By Closing Stock	1,00,000
Less: Purchases Returns (69,000 + 1,000)	70,000		
To Gross Profit c/d	5,96,000		
	22,02,000		22,02,000
To Expenses (50,000 - 6,000 + 12,000)	56,000	By Gross Profit	5,96,000
To Rent (17,000 - 5,000)	12,000	By Interest on Fixed Deposit	20,000
To Depreciation	14,000	By Interest on Investments	20,000
Add: Further Depreciation (₹2,00,000 × 10/100 × 6/12)	10,000	(₹2,50,000 × 12/100 × 8/12)	
	24,000		
To Net Profit	5,44,000		
	6,36,000		6,36,000

Balance Sheet as on 31st March, 20X1					
Liabilities		₹	Assets		₹
Capital	6,00,000	10,86,000	Fixed Assets	1,40,000	3,30,000
Add: Profit	5,44,000		Additions	2,00,000	
Less: Drawings (70,000 - 12,000)	58,000			3,40,000	
Creditors	2,20,000		Less: Depreciation	10,000	
Add: Purchases not recorded	16,000	2,36,000	Stock		1,00,000
Overdraft		8,000	Debtors		2,50,000
			Investments		2,50,000
			Interest accrued		20,000
			Bank fixed deposit		2,00,000
			Prepaid Expenses (6000+5000)		11,000
			Bank		1,69,000
		13,30,000			13,30,000

22. The following are the balances extracted from the books of Shri Raghuram as on 31.03.20X1, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (₹)	Credit (₹)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of go-down	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs of Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.20X0	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400

	<p>Prepare Trading and Profit and Loss Account for the year ended 31.03.20X1 and the Balance Sheet as at that date after making provision for the following:</p> <p>a) Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.</p> <p>b) Value of stock at the close of the year was ₹ 4,10,000.</p> <p>c) One month rent for go-down is outstanding.</p> <p>d) Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.20X0</p> <p>e) Reserve for bad debts is to be maintained at 5% of Sundry debtors.</p> <p>f) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.20X0 to 30.06.20X1.</p> <p style="text-align: right;">(RTP May 2020/ Past Exam May 2018)</p>																																																																																																								
Sol.	<p style="text-align: center;">M/s Raghuram & Associates Trading Account for the year ended 31st March 20X1</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: left;">Dr.</th> <th style="width: 15%; text-align: center;">Amount (₹)</th> <th style="width: 40%; text-align: right;">Cr.</th> <th style="width: 5%;"></th> </tr> </thead> <tbody> <tr> <td>To Opening Stock</td> <td style="text-align: right;">3,20,000</td> <td>By Sales</td> <td style="text-align: right;">15,00,000</td> </tr> <tr> <td>To Purchases 12,00,000</td> <td></td> <td>Less: Sales Returns</td> <td style="text-align: right;">(24,000)</td> </tr> <tr> <td>Less: Purchases Returns (18,000)</td> <td style="text-align: right;">11,82,000</td> <td>By Closing Stock</td> <td style="text-align: right;">4,10,000</td> </tr> <tr> <td>To Freight</td> <td style="text-align: right;">62,000</td> <td></td> <td></td> </tr> <tr> <td>To Gross Profit c/d</td> <td style="text-align: right;">3,22,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">18,86,000</td> <td></td> <td style="text-align: right;">18,86,000</td> </tr> </tbody> </table> <p style="text-align: center;">Profit and Loss Account for the year ended 31st March 20X1</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; text-align: left;">Dr.</th> <th style="width: 15%; text-align: center;">Amount (₹)</th> <th style="width: 40%; text-align: right;">Cr.</th> <th style="width: 5%;"></th> </tr> </thead> <tbody> <tr> <td>To Salaries</td> <td style="text-align: right;">72,000</td> <td>By Gross profit b/d</td> <td style="text-align: right;">3,22,000</td> </tr> <tr> <td>To Rent for go-down</td> <td style="text-align: right;">55,000</td> <td>By Discount received</td> <td style="text-align: right;">12,000</td> </tr> <tr> <td>Add: Outstanding</td> <td style="text-align: right;">5,000</td> <td></td> <td></td> </tr> <tr> <td>To Provision for Doubtful Debts (W.N.4)</td> <td style="text-align: right;">16,200</td> <td></td> <td></td> </tr> <tr> <td>To Rates and Taxes</td> <td style="text-align: right;">24,000</td> <td></td> <td></td> </tr> <tr> <td>To Discount Allowed</td> <td style="text-align: right;">7,500</td> <td></td> <td></td> </tr> <tr> <td>To Carriage outwards</td> <td style="text-align: right;">8,500</td> <td></td> <td></td> </tr> <tr> <td>To Printing and stationery</td> <td style="text-align: right;">6,000</td> <td></td> <td></td> </tr> <tr> <td>To Electricity charges</td> <td style="text-align: right;">14,000</td> <td></td> <td></td> </tr> <tr> <td>To Insurance premium (W.N. 1)</td> <td style="text-align: right;">4,800</td> <td></td> <td></td> </tr> <tr> <td>To Depreciation (W.N. 2)</td> <td style="text-align: right;">80,000</td> <td></td> <td></td> </tr> <tr> <td>To General expenses</td> <td style="text-align: right;">11,000</td> <td></td> <td></td> </tr> <tr> <td>To Bank Charges</td> <td style="text-align: right;">3,800</td> <td></td> <td></td> </tr> <tr> <td>To Interest on loan</td> <td style="text-align: right;">4,400</td> <td></td> <td></td> </tr> <tr> <td>Add: Outstanding (W.N. 3)</td> <td style="text-align: right;">100</td> <td></td> <td></td> </tr> <tr> <td>To Motor car expenses (Repairs)</td> <td style="text-align: right;">13,000</td> <td></td> <td></td> </tr> <tr> <td>To Net Profit transferred to Capital A/c</td> <td style="text-align: right;">8,700</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">3,34,000</td> <td></td> <td style="text-align: right;">3,34,000</td> </tr> </tbody> </table>	Dr.	Amount (₹)	Cr.		To Opening Stock	3,20,000	By Sales	15,00,000	To Purchases 12,00,000		Less: Sales Returns	(24,000)	Less: Purchases Returns (18,000)	11,82,000	By Closing Stock	4,10,000	To Freight	62,000			To Gross Profit c/d	3,22,000				18,86,000		18,86,000	Dr.	Amount (₹)	Cr.		To Salaries	72,000	By Gross profit b/d	3,22,000	To Rent for go-down	55,000	By Discount received	12,000	Add: Outstanding	5,000			To Provision for Doubtful Debts (W.N.4)	16,200			To Rates and Taxes	24,000			To Discount Allowed	7,500			To Carriage outwards	8,500			To Printing and stationery	6,000			To Electricity charges	14,000			To Insurance premium (W.N. 1)	4,800			To Depreciation (W.N. 2)	80,000			To General expenses	11,000			To Bank Charges	3,800			To Interest on loan	4,400			Add: Outstanding (W.N. 3)	100			To Motor car expenses (Repairs)	13,000			To Net Profit transferred to Capital A/c	8,700				3,34,000		3,34,000
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Balance Sheet of M/s Raghuram & Associates as at 31st March 20X1					
Liabilities		Amount	Assets		Amount
Capital	14,11,400		Land & Building	5,00,000	
Add: Net Profit	8,700		Less: Depreciation	<u>(25,000)</u>	4,75,000
Less: Drawings	(20,000)		Motor Vehicles	1,00,000	
Less: Proprietor's Insurance Premium	<u>(42,000)</u>	13,58,100	Less: Depreciation	<u>(20,000)</u>	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	<u>100</u>	60,100	Less: Depreciation	<u>(30,000)</u>	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	Less: Depreciation	<u>(5,000)</u>	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for doubtful debts	<u>(14,000)</u>	2,66,000
			Cash at hand		22,000
			Cash in bank		16,000
			Prepaid Insurance (WN 1)		1,200
		14,85,200			14,85,200

Working Notes:**1) Insurance premium**

Particulars	₹
Insurance premium as given in trial balance	48,000
Less: Personal premium	(42,000)
Less: Prepaid for 3 months ($₹ 6,000 \times 3/15$)	(1,200)
Transfer to Profit and Loss A/c	4,800

2) Depreciation

	₹
Building @ 5% on 5,00,000	25,000
Motor Vehicles @ 20% on 1,00,000	20,000
Furniture & Fittings @ 10% on 50,000	5,000
Office Equipment @ 15% on 2,00,000	30,000
	80,000

3) Interest on Loan

Interest on Loan ($₹60,000 \times 10\% \times 9/12$)	4,500
Less: Interest as per Trial Balance	(4,400)
Amount (Outstanding)	100

4) Dr.**Provision for Bad debts A/c****Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To bad debts a/c	12,200	By balance b/d	10,000
To balance c/d (5% of 2,80,000)	14,000	By P&L A/c	16,200
	<u>26,200</u>		<u>26,200</u>

23.	Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 20X0.				
	Particulars	Amount	Particulars	Amount	
	Debit Balances:	₹	Credit Balances:	₹	
	Cash in hand	1,500	Capital	16,000	
	Purchase	12,000	Bank overdraft	2,000	
	Sales return	1,000	Sales	9,000	
	Salaries	2,500	Purchase return	2,000	
	Tax and Insurance	500	Provision for Bad debts	1,000	
	Bad debts	500	Creditors	2,000	
	Debtors	5,000	Commission	500	
	Investments	4,000	Bills payable	2,500	
	Opening stock	1,400			
	Drawings	2,000			
	Furniture	1,600			
	Bills receivables	3,000			
		35,000		35,000	
	Other information:				
	i) Closing stock was valued at ₹ 4,500				
	ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.				
	iii) Commission received in advance is ₹ 100.				
	iv) Interest accrued on investment is ₹ 210				
	v) Interest on overdraft is unpaid ₹ 300				
	vi) Reserve for bad debts is to be kept at ₹ 1,000				
	vii) Depreciation on furniture is to be charged @ 10%				
	You are required to prepare the final accounts after making above adjustments.				
	(Past Exam May 2019)				
Ans.	Trading & Profit and Loss Account of				
	Mr. Sandeep for the year ended 31st December, 20X0				
	Particulars	₹	₹	Particulars	₹
	To Opening Stock		1,400	By Sales	9,000
	To Purchase	12,000		<i>Less: Sales return</i>	<i>(1,000)</i>
	<i>Less: Purchase return</i>	<i>(2,000)</i>	10,000	By Closing stock	4,500
	To Gross Profit		<u>1,100</u>		
			<u>12,500</u>	By Gross Profit	1,100
				By Commission	500
	To Salary	2,500		<i>Less: Advance</i>	<i>(100)</i>
	<i>Add: Outstanding salary</i>	<u>100</u>	2,600		
	To Tax & Insurance	500		By Accrued interest	210
	<i>Add: Outstanding</i>	<u>200</u>		By Net Loss	2,500
	Prepaid insurance	<i>(50)</i>	650		
	To Bad debt	500			
	Opening provision	<i>(1,000)</i>			
	Closing provision	<u>1,000</u>	500		
	To Interest on overdraft		300		
	To Depreciation on furniture		160		
			4,210		4,210

Balance Sheet of Mr. Sandeep as on 31.3.20X0					
Particulars	₹	₹	Particulars	₹	₹
Capital	16,000		By Furniture	1,600	
Less: drawing	(2,000)		Less: Depreciation	(160)	1,440
Net loss	(2,500)	11,500	Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	300	2,300	Add: accrued interest	210	4,210
Creditors		2,000	Debtors	5,000	
Bills payable		2,500	Less: Provision on bad debts	(1,000)	4,000
Outstanding expenses:			Closing stock		4,500
Salary	100		Cash in hand		1,500
Tax	200	300	Prepaid insurance		50
Commission received in advance		100			
		18,700			18,700
24.	The trial balance of Kumar as at 31st December, 20X0 is as follows:				
	Particulars	Dr. (₹)	Cr. (₹)		
	Kumar's capital account	-	38,345		
	Stock 1st January, 20X0	23,400	-		
	Sales	-	1,94,800		
	Returns inward	4,300	-		
	Purchases	1,60,850	-		
	Returns outward	-	2,900		
	Carriage inwards	9,800	-		
	Rent & taxes	2,350	-		
	Salaries & wages	4,650	-		
	Sundry debtors	12,000	-		
	Sundry creditors	-	7,400		
	Bank loan @ 14% p.a.	-	10,000		
	Bank interest	550	-		
	Printing and stationary expenses	7,200	-		
	Bank balance	4,000	-		
	Discount earned	-	2,220		
	Furniture & fittings	2,500	-		
	Discount allowed	900	-		
	General expenses	5,725	-		
	Insurance	650	-		
	Postage & telegram expenses	1,165	-		
	Cash balance	190	-		
	Travelling expenses	435	-		
	Drawings	15,000	-		
		2,55,665	2,55,665		

The following adjustments are to be made:

- 1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- 2) Personal purchases of Kumar amounting to ₹ 300 had been recorded in the purchase day book.
- 3) Depreciation on furniture & fittings @ 10% shall be written off.
- 4) Included amongst the debtors is ₹ 1,500 due from Dayal and included among the creditors ₹ 500 due to him.
- 5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- 6) Credit purchase invoice amounting to ₹ 200 had been omitted from the books.
- 7) Stock on 31.12.20X0 was ₹ 39,300.
- 8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & profit and loss account for the year ended 31.12.20X0. (MTP Oct 2018)

Sol.

**Trading and Profit and Loss Account of Mr. Kumar
for the year ended 31st December, 20X0**

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		23,400	By Sales	1,94,800	
To Purchases	1,60,850		Less: Returns	4,300	1,90,500
Add: Omitted invoice	200		By Closing stock		39,300
Less: Returns	2,900				
	1,61,050				
	1,58,150				
Less: Drawings	300	1,57,850			
To Freight & carriage		9,800			
To Gross profit c/d		38,750			
		2,29,800			2,29,800
To Rent and taxes		2,350	By Gross profit b/d		38,750
To Salaries and wages		4,650	By Discount		2,220
To Bank interest	550				
Add: Due	850	1,400			
To Printing and stationary	7,200				
Less: Prepaid (1/4)	1,800	5,400			
To Discount allowed		900			
To General expenses		5,725			
To Insurance		650			
To Postage & telegram expenses		1,165			
To Travelling expenses		435			
To Provision for bad debts [W.N.]		575			
To Provision for discount on debtors [W.N.]		219			
To Depreciation on furniture & fittings		250			
To Net profit		17,251			
		40,970			40,970

Working Note:

Provision for bad & doubtful debts:

@ 5% on ₹ 11,500

575

Provision for discount:

2% on ₹ 10,925 (₹11,500 - ₹575)

219

25.

The following is the trial balance of Manan as at 31st March 20X1: -

Particulars	Dr. (₹)	Cr. (₹)
Manan's capital account	-	1,53,380
Stock 1 st April, 20X0	93,600	-
Sales	-	7,79,200
Returns inward	17,200	-
Purchases	6,43,400	-
Returns outward	-	11,600
Carriage inwards	39,200	-
Rent & taxes	9,400	-
Salaries & wages	18,600	-
Sundry debtors	48,000	-
Sundry creditors	-	29,600
Bank loan @ 14% p.a.	-	40,000
Bank interest	2,200	-
Printing and stationery expenses	28,800	-
Bank balance	16,000	-
Discount earned	-	8,880
Furniture & Fittings	10,000	-
Discount allowed	3,600	-
General expenses	22,900	-
Insurance	2,600	-
Postage & telegram expenses	4,660	-
Cash balance	760	-
Travelling expenses	1,740	-
Drawings	60,000	-
	10,22,660	10,22,660

The following adjustments are to be made: -

- 1) Included amongst the debtors is ₹ 6,000 due from Rahul and included among the creditors ₹ 2,000 due to him.
- 2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- 3) Depreciation on furniture & fittings @ 10% shall be written off.
- 4) Personal purchases of Manan amounting to ₹ 1200 had been recorded in the purchase's day book.
- 5) Interest on bank loan shall be provided for the whole year.
- 6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- 7) Credit purchase invoice amounting to ₹ 800 had been omitted from the books.
- 8) Stock on 31st March 20X1 was ₹1,57,200.

Prepare: -

- i) Trading & Profit and loss account for the year ended 31.3.20X1.
- ii) Balance Sheet as on 31st March, 20X1.

(RTP MAY 2021)

Trading and Profit and Loss Account of Mr. Manan			
For the year ended 31st March, 20X1			
Particulars	(₹)	Particulars	(₹)
To Opening stock	93,600	By Sales	7,79,200
To Purchases	6,43,400	Less: Returns	17,200
Add: Omitted invoice	800	By Closing Stock	1,57,200
	6,44,200		
Less: Returns	11,600		
	6,32,600		
Less: Drawings	1,200		
To Carriage	39,200		
To Gross profit c/d	1,55,000		
	9,19,200		9,19,200
To Rent and taxes	9,400	By Gross Profit b/d	1,55,000
To Salaries and wages	18,600	By Discount	8,880
To Bank interest	2,200		
Add: Due	3,400		
	5,600		
To Printing and stationery	28,800		
Less: Prepaid (1/4)	7,200		
	21,600		
To Discount allowed	3,600		
To General expenses	22,900		
To Insurance	2,600		
To Postage & telegram expenses	4,660		
To Travelling expenses	1,740		
To Provision for bad debts [W.N.(2)]	2,300		
To Provision for discount on debtors [W.N.(2)]	874		
To Depreciation on furniture & fittings	1,000		
To Net Profit	69,006		
	1,63,880		1,63,880

Balance Sheet of Manan as at 31st March, 20X1

Liabilities		(₹)	Assets		(₹)
Capital	1,53,380		Furniture & fittings	10,000	
Add: Net Profit	69,006		Less: Depreciation 1,000		9,000
	2,22,386		Sundry debtors (W.N.1)	46,000	
Less: Drawings;			Less: Provision for bad & doubtful debts (W.N.2)	2,300	
Cash	60,000			43,700	
Goods	<u>1,200</u>	1,61,186	Less: Provision for discount (W.N.2)	(874)	42,826
Bank loan		40,000	Stock		1,57,200
Bank interest due		3,400	Prepaid expenses:		
Sundry creditors (W.N.3)		28,400	Printing & Stationary		7,200
			Bank balance		16,000
			Cash balance		760
		2,32,986			2,32,986

Working Notes: -

1) Sundry debtors	(₹)
Balance as per trial balance	48,000
Less: Due to Rahul	<u>2,000</u>
	46,000
2) Provision for bad & doubtful debts: -	
@ 5% on ₹ 46,000	<u>2,300</u>
Provision for discount: -	
2% on ₹ 43,700 (46,000-2,300)	<u>874</u>
3) Sundry creditors	
Balance as per trial balance	29,600
Less: Set off in respect of Rahul	<u>2,000</u>
	27,600
Add: Purchase invoice omitted	<u>800</u>
	28,400

26. Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1st April, 20X0. She had a saving of about ₹ 10,00,000. She invested ₹ 3,00,000 out of her savings and borrowed equal amount from bank. She purchased a commercial space for ₹ 5,00,000 and further spent ₹ 1,00,000 on its renovation to make it ready for business.

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

30 th June, 20X0	- ₹ 15,000 principal + ₹ 9,000 interest
30 th September, 20X0	- ₹ 15,000 principal + ₹ 8,550 interest
31 st December, 20X0	- ₹ 15,000 principal + ₹ 8,100 interest
31 st March, 20X1	- ₹ 15,000 principal + ₹ 7,650 interest.

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

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

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

Other Information:

- She withdrew ₹ 5,000 by cheque each month for her personal expenses.
- Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.
- Closing stock in hand as on 31st March, 20X1: ₹ 5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-20X1 and Balance Sheet as on that date.

(July 2021)

Sol.

In the books of M/s Designer wear
Trading and profit & Loss Account (for the year ending 31.03.20X1)

Dr.			Cr.		
Date	Particular	Amount (₹)	Date	Particular	Amount (₹)
	To Purchases	17,00,000		By Sales	20,00,000
	To Gross Profit	<u>8,50,000</u>		By Closing stock	<u>5,50,000</u>
		<u>25,50,000</u>			<u>25,50,000</u>
	To Interest (9,000+8,550+8,100+7,650)	33,300		By Gross profit	8,50,000
	To Telephone charges	50,000			
	To Travelling expenses	45,000			
	To Maintenance expenses	25,000			
	To Entertainment expenses	5,000			
	To Electricity exp. 40,000				
	Add: outstanding <u>20,000</u>	60,000			
	To Carriage outward				
	To Depreciation				
	Building 5% 30,000				
	Furniture 10% <u>1,000</u>	31,000			
	To Misc. exp.	15,000			
	To Net profit	5,25,700			
		<u>8,50,000</u>			<u>8,50,000</u>

Balance Sheet as on 31st March, 20X1					
Liabilities	₹	₹	Assets	₹	₹
Capital	3,00,000		Building	6,00,000	
Further Capital	2,00,000		Less: Dep.	<u>30,000</u>	5,70,000
Less: Drawings	(60,000)		Furniture	10,000	
Add: Net profit	<u>5,25,700</u>	9,65,700	Less: Dep.	<u>1,000</u>	9,000
			Security deposit - telephone		7,000
Bank Loan	3,00,000		Bank		89,700
Less: repayment	<u>60,000</u>	2,40,000	Closing Stock		<u>5,50,000</u>
Outstanding electricity exp.		20,000			
		12,25,700			12,25,700

Working note:

Bank Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Capital	3,00,000	By Building	6,00,000
To Further capital	2,00,000	By Furniture	10,000
To Bank loan	3,00,000	By Bank loan repaid	60,000
To Sales	20,00,000	By Interest	33,300
		By Security deposit	7,000
		By Drawings	60,000
		By Purchase	17,00,000
		By Telephone charges	50,000
		By Travelling expenses	45,000
		By Maintenance expenses	25,000
		By Electricity	40,000
		By Carriage outward	60,000
		By Misc. expenses	15,000
		By Balance c/d	89,700
	28,00,000		28,00,000

27. The balance sheet of Mittal on 1st January, 20X0 was as follows:

Liabilities	Amount	Assets	Amount
Trade Payables	16,00,000	Plant & Machinery	31,00,000
Expenses Payables	2,50,000	Furniture & Fixtures	4,00,000
Capital	51,00,000	Trade Receivables	14,50,000
		Cash at Bank	7,00,000
		Inventories	13,00,000
	69,50,000		69,50,000

During 20X0, his Profit and Loss account revealed a net profit of ₹15,10,000. This was after allowing for the following:

- i) Interest on Capital @ 6% p.a.
- ii) Depreciation on plant and Machinery @10% and furniture and Fixtures @5%.
- iii) A Provision for Doubtful debts @ 5% of the trade receivables as at 31st December 20X0.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totaling ₹1,85,000 and (2) prepaid insurance to the extent of ₹25,000. His current assets and liabilities on 31st December, 20X0 were. Trade receivables ₹21,00,000: Cash at Bank ₹5,20,000 and Trade Payables ₹13,84,000. During the year he withdrew ₹6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the Year-end.

	You are required Draw up revised Profit and loss Account and Balance Sheet at the end of the Year.				
	(Nov. 2019)				
Sol.	Profit and Loss Account (Revised) As on 31 Dec. 20X0				
		Particulars	Amount (₹)	Particulars	Amount (₹)
		To Outstanding exp.	1,85,000		By Net profit
		To Net profit	13,50,000		By prepaid exp.
			15,35,000		15,35,000
	Balance Sheet of Mittal As on 31st Dec. 20X0				
	Liabilities	Amount (₹)	Assets	Amount (₹)	
	Capital	51,00,000	Cash at Bank	5,20,000	
	Add: N/P	13,50,000	Trade receivables	21,00,000	
	Add: Int. on capital	3,06,000	Less: PDD:	<u>(1,05,000)</u>	19,95,000
	Less: Drawings	<u>(6,20,000)</u>	Inventory		19,95,000
		61,36,000	Furniture and Fix.:	4,00,000	
	Trade Payable	13,84,000	Less: Dep.	<u>(20,000)</u>	3,80,000
	Expense Payable	1,85,000	Plant and Mach.	31,00,000	
			Less: Dep.	<u>(3,10,000)</u>	27,90,000
			Prepaid Insurance		25,000
		77,05,000			77,05,000

