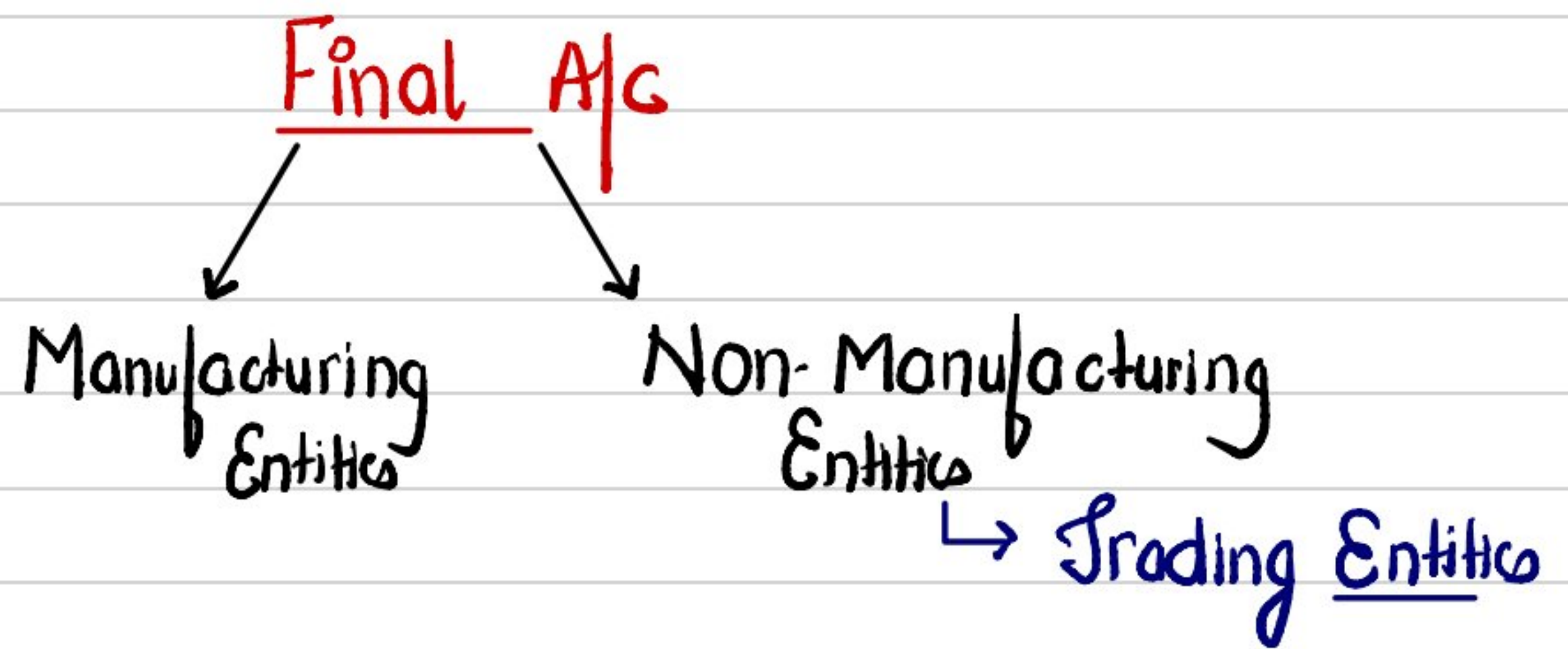
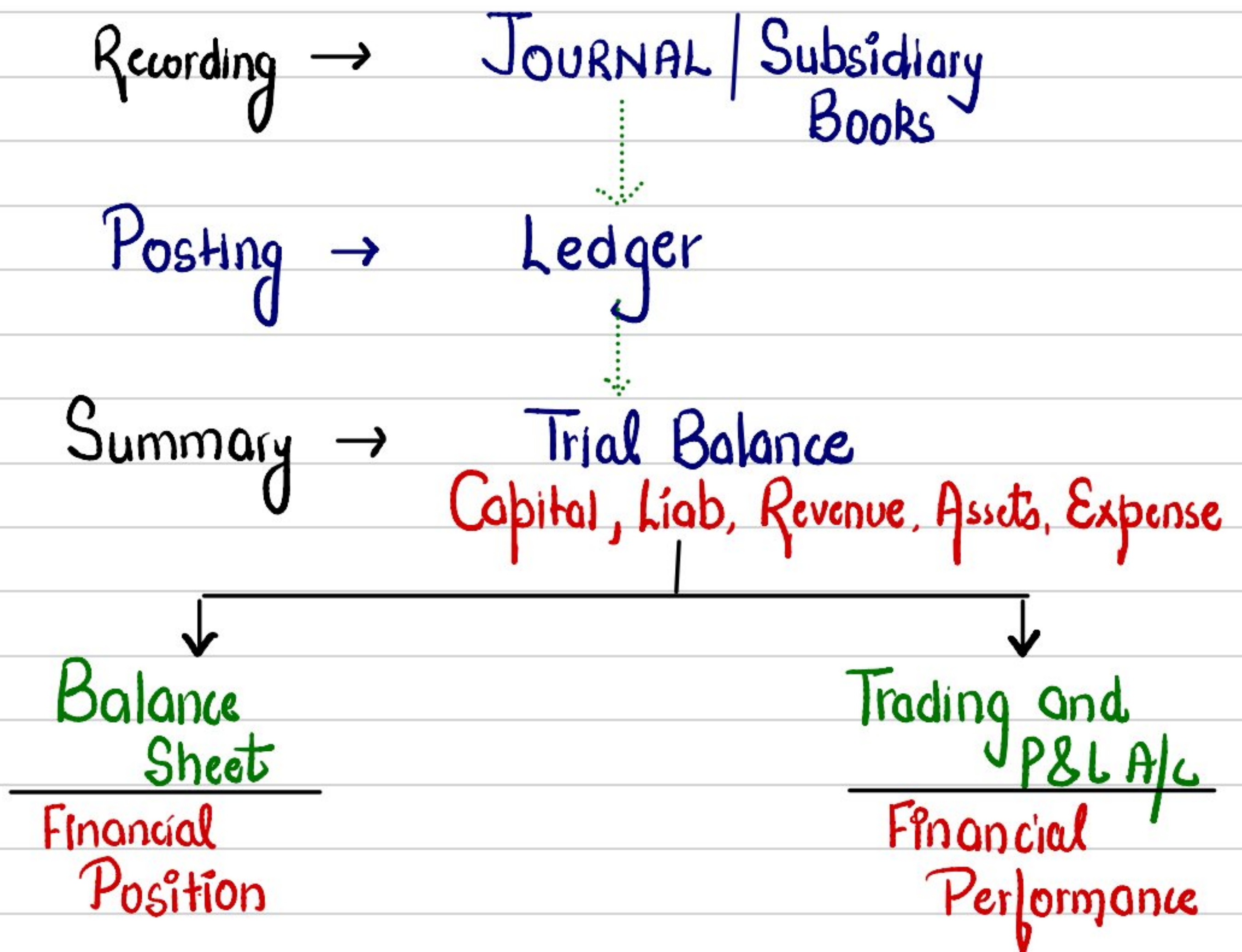


Final Accounts of Non-Manufacturing Entities



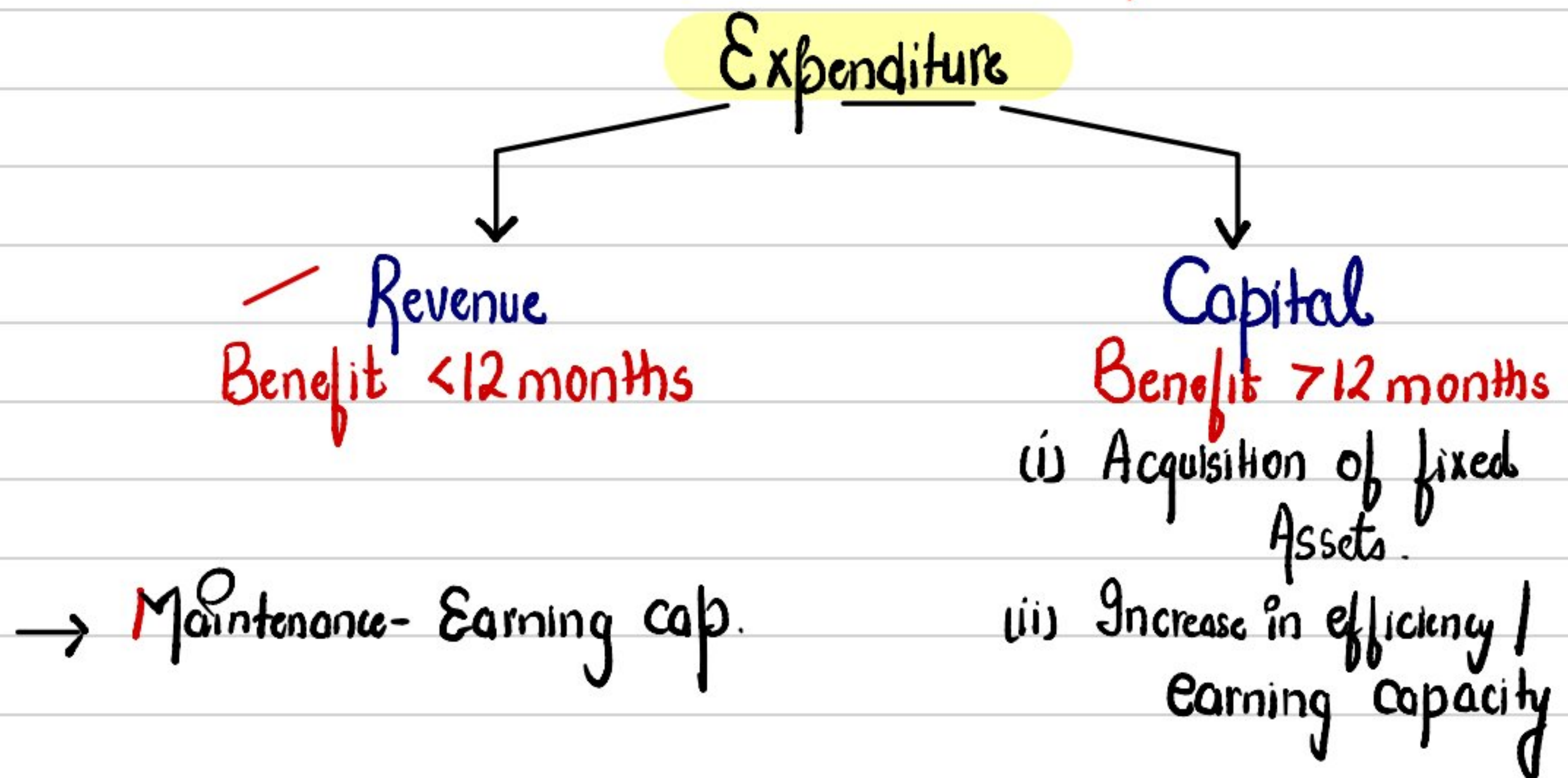


Accounting Process



→ Various Matters to which attention should be paid:

1. Distinction b/w personal & Business transactions.
2. Distinction b/w Revenue & capital nature items.



Example - Insurance - ₹12000 p.a. - Rev. Expenditure



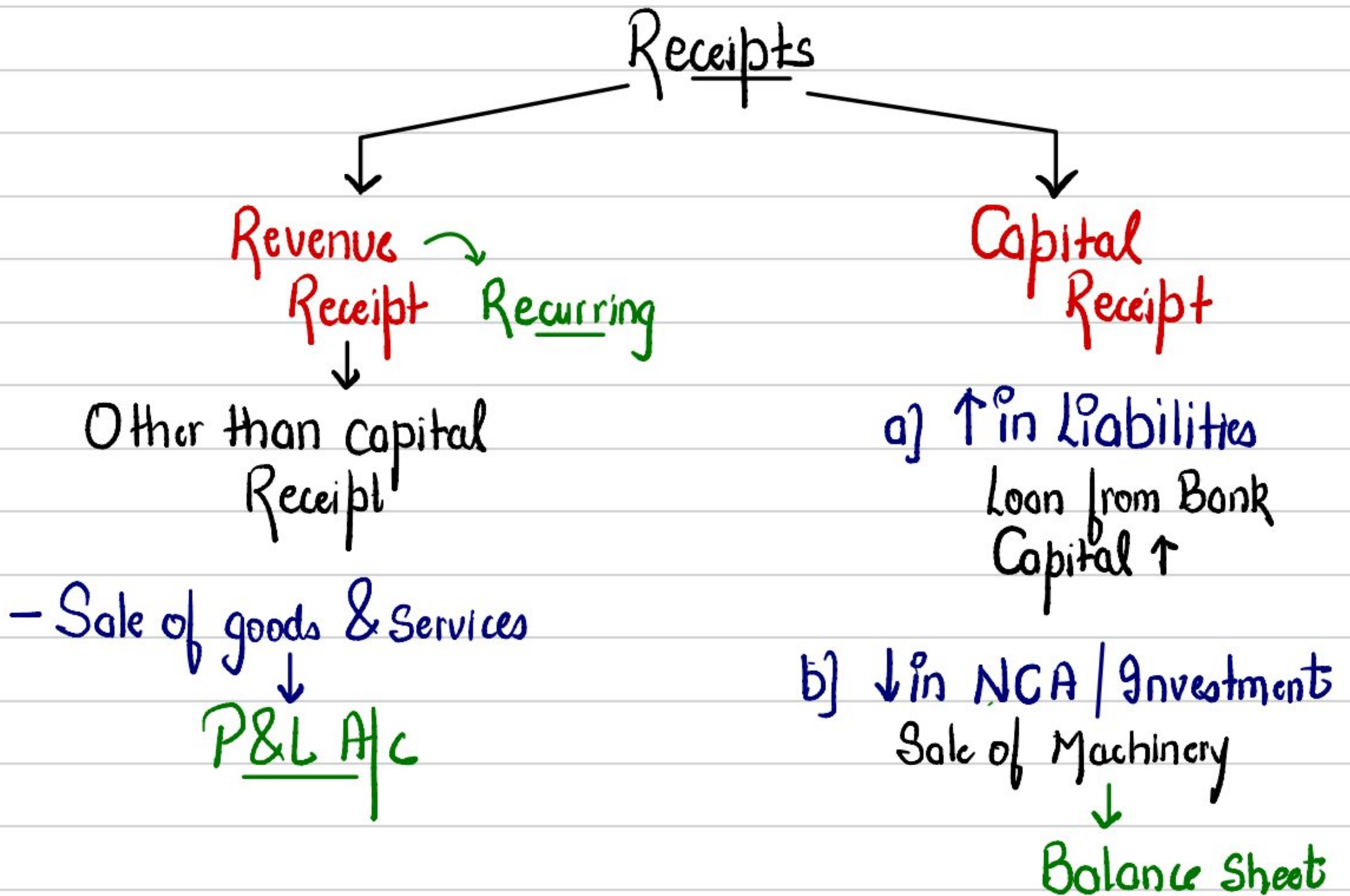
23-24 Insurance Expense?

Expense - Benefit consumed during the year.
Expired Cost - $\frac{12000}{12} \times 11 = \underline{\underline{₹11,000}}$

Prepaid Exp = ₹1000 → **Asset** Balance Sheet

Receipts

→ Receipt \neq Income
↓
Amt received or Receivable



3. Only Current Period transactions.

Example:

1/4/23 ————— 31/3/24

Amt Received: ₹1,00,00,000
Advance [Apr 24] - ₹500,000 - B/s
C.Y. Income - 95,00,000 - P&L A/c

4.

Matching Concept

↳ Matching expenses with Revenue

Op. Stock - 10,00,000

Purch. - 10,00,000

Direct exp - 500,000

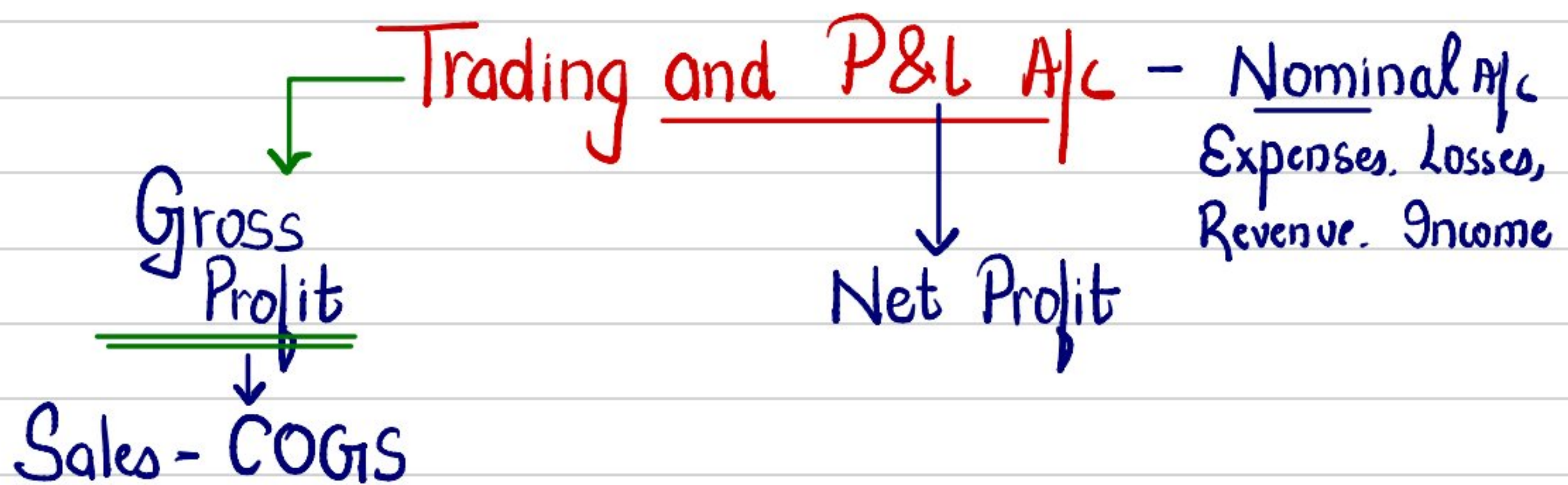
8500.000

Total
रेवनी

Sales - 2 crore

Cl. Stock - ₹ 10,00,000 → Asset

Expense - ₹ 7500,000 - Trading A/c
COGS



→ COGS = Op Stock + Net Purchases + Direct exp - Cl. Stock
Cost of goods available for sale

Income
Cr.

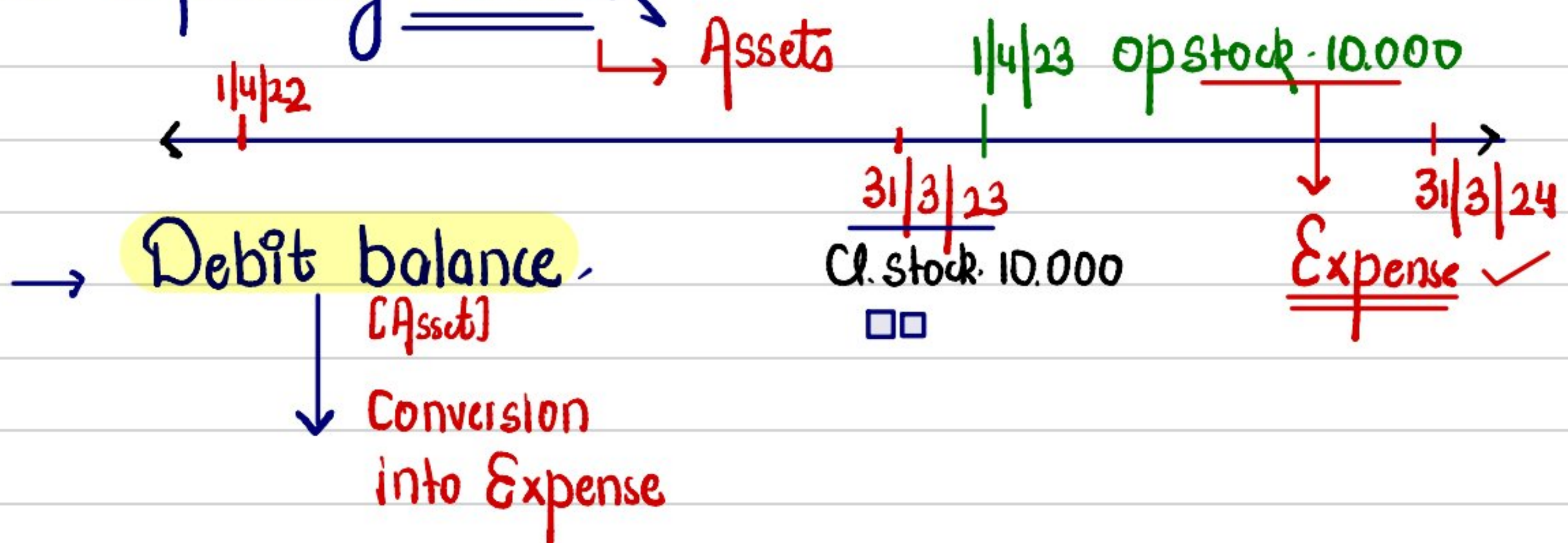
Trading A/c

Dr. Expenses

Particulars	₹	Part	₹
To Op stock	100.000	By sales	10.00.000
To purchases	400.000		
- To Direct exp	50.000	by cl. stock	50.000
To Gross Profit	500.000		
	<u>1050.000</u>		<u>10.50.000</u>

Dr. < Cr. = Gross Profit
Dr. > Cr. = Gross Loss

1. Opening Stock



Journal Entry → Trading A/c Dr. → Expense
To Opening Stock A/c

2. Net Purchases [Purchases - Purchase Return]

- Goods purchased - ₹100,000
→ Purchases Dr. 100,000 → Dr. bal.
To Bank A/c 100,000
- Purchase Return - ₹10,000
Bank A/c Dr.
To purch Ret A/c - Cr. bal.

Net Purchases -

Purch. Ret A/c Dr. 10,000
To Purchase A/c 10,000
Purch ↓ 10,000

Purchase Dr. 90,000

Journal -

Trading Dr. 90,000 [Net purchase]
To purchase A/c 90,000

Trading A/c

To purchases - 100,000	
(-) Purch. Return <u>(10,000)</u>	90,000

3. Direct Expenses:

→ Carriage Inward, Wages, non-Refundable Tax
↳ Exp Incurred in bringing the goods to the business premises.

- Carriage Inward 10,000

↳ Carriage Inward Dr 10,000
Dr bal To Bank A/c 10,000

→ Trading A/c Dr 10,000
To Carriage Inward 10,000

4. Net Sales [Sales - Sales Return]

Sales - ₹100,000
Cr. balance

Sales Ret - ₹10,000
Dr. balance

Sales Cr.
90,000

Net

-

Sales Dr. 10,000

To Sales Ret 10,000

Close

→ Sales Dr. 90,000
To Trading A/c 90,000

5. Closing Stock

Before Trial Bal.

After Trial Bal.

→ Closing Stock Dr.
Asset ↑ To purchase A/c
Exp ↓

Cl. Stock Dr.
To Trading A/c

Trial Bal.

	Dr	Cr
Purchase (Adj)	90.000	
Cl. Stock	10.000	

Cl. Stock will not appear in Trading A/c.

Ex- Purchases - 100.000 (100 kg)
Direct exp - 5000 (100 kg)

Cost of 100 kg - 105000
80 kg sold

Cl. Stock (20 kg) - $\frac{105000}{100 \text{ kg}} \times 20$
= 21000

Purch.
20 x 1000
= 20.000

Direct exp
20 x 50
1000

ILLUSTRATION 2

	₹
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 - P/R	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, 2022 and Pass necessary closing entries in the journal proper of M/s. ABC Traders

Trading A/c
for the year ended 31st Mar. 2022

Dr.	Part	₹	Cr.	Part	₹
	To op Stock	100.000		By Sales -	11.00.000
	To purch - 672000			(-) Sales Ret	(100.000)
	(-) Purch Ret (72000)	600.000			10.00.000
	To carriage Inward	30.000		By cl. Inv.	200.000
	To wages	50.000			
	To Gross profit	420.000			
		<u>1200.000</u>			<u>1200.000</u>

JOURNAL

1. Purchase Ret A/c Dr 72000
To purchases 72000
 2. Sales Dr 100.000
To Sales Ret A/c 100.000
 3. Trading A/c Dr 780.000
To op Stock 100.000
To purchase 600.000
To Carriage Inward 30.000
To Wages ✓ 50.000
 4. Sales A/c Dr 10,00,000
Cl. Stock Dr 200.000
To Trading A/c 1200.000
 5. Trading A/c Dr 420.000
To Gross profit 420.000
-

✓ ILLUSTRATION 1

Trial Balance for the financial year (FY) ended 31st March 2022 of M/s Deepakshi shows following details:

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

Additional Information: Creditors balance as on 1st April, 2021 is ₹ 3,00,000.

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

$$\text{COGS} = \text{Op. st.} + \text{Purchases} + \text{Direct exp} - \text{cl. stock}$$

$$= 200,000 + 10,00,000$$

$$= ₹ \underline{1200,000}$$

Trading A/c
for the year ended..

To Op Stock	200,000	By Sales	1200,000
To Purchases	10,00,000		
	<u>10,20,000</u>		<u>1200,000</u>

Creditors A/c

Dr		Cr	
Part	₹	Part	₹
To Bank A/c (Bal fig)	1200.000	by bal bld	300.000
To bal cld	<u>400.000</u>	by purchases	1300.000
			<u> </u>

Ex:- Op stock - 100.000
 COGS - 900.000
 Cl. Stock - 200.000
 [Sales - SR] ← Net Sales - 1200.000
 Return Inward - 100.000

$$\begin{aligned}
 &= \text{Op st} + \text{Direct exp} + \text{Purch} - \text{cl. st} \\
 &= 100.000 + \text{Purch} - 200.000
 \end{aligned}$$

Prepare Trading A/c

Trading A/c

to Op stock	100.000	by Sales	1200.000
To purchases	10.00.000	by cl. stock	200.000
To Gross Profit	<u>300.000</u>		<u> </u>

→ $\text{COGS} = \text{Op stock} + \text{Purch} + \text{Direct exp} - \text{cl. stock}$
 $900.000 = 100.000 + \text{Purch} - 200.000$
 Purchases = 10.00.000

→ Profit & Loss A/c - Net profit / Loss

Trading A/c
 ↳ Gross Profit
 □□□□ tlf to P&L A/c

1] It starts with Gross Profit / Loss.

Journal → 1. Gross Profit
 To profit & loss A/c

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

P&L A/c
 for the year ended.

Dr			Cr.
To Gross Loss To all exp & losses (not covered in Trading A/c)		by Gross profit by Income (other than Sales)	
To Net Profit (Cr. > Dr.)		by Net Loss (Dr > Cr)	

ILLUSTRATION 3

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

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

Required

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

Profit & Loss A/c for the year ended 31st Mar 2022

Dr.	₹	Cn.	₹
Part		Part	
To Salaries	1,10,000	By Gross Profit	4,20,000
To Disc.	19,000	by Disc. Rec.	18,000
To Bad debts	17,000		
To Dep.	65,000		
To legal ch.	25,000		
To Consultancy fees	32,000		
To Audit fees	1,000		
To elec. ch.	17,000		
To Telephone	12,000		
To Stationery	27,000		
To Int on loans	70,000		
To Net profit	<u>43,000</u>		

Journal

1. Gross profit Dr. 420.000
 To P&L A/c 420.000
 2. P&L A/c Dr. 395000
 To Salaries 1.10.000
 To Disc. 14000
 To Bad debts 17000
 To Dep. 65000
 To legal ch. 25000
 To Consultancy fees 32000
 To Audit fees 1000
 To elec. ch. 17000
 To Telephone 12000
 To Stationery 27000
 To Int on loan 70.000
 3. Disc. Rec Dr. 18000
 To P&L A/c 18000
 4. P&L A/c Dr. 43000
 To Net profit 43000
 5. Net profit Dr. 43000
 To Capital A/c 43000
- P&L Dr.
To cap A/c
- ↓
Owner ne business se lene
hai, Liab ↑.

→ ADJUSTMENTS

1. Outstanding Expenses:

Expense ✓ - benefit already consumed.
Payment X - Liability.

2022-23 Salary paid - ₹2,20,000

↓
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 Outstanding

↓
No Treatment done.

1 month Salary = $\frac{2,20,000}{12}$ = ₹20,000

Adjustment:-
entry

Salary Dr. 20,000 → Expense
To o/s Salary A/c 20,000
P&L A/c
→ Liability B/s

To Salary 2,20,000	
+ o/s Salary 20,000	2,40,000

Example:-

Trial Balance

	Dr	Cr
Rent	120,000	
o/s Rent		<u>20,000</u>

Included

Rent Dr
To o/s Rent A/c

→ Rent Amt to be debited to P&L A/c
120,000

A/c appearing in Trial Balance

→ Recording is already Done ✓

→ Transfer of A/c to P&L & Balance to be done.

Adjustment

→ No Recording Done.

2. Prepaid Expense

Expense X - benefit not consumed
Payment ✓

→ Insurance premium paid during the year - ₹1,50,000

Insurance premium Dr 1,50,000 ✓
To Bank 1,50,000

Trial Balance

	Dr	Cr
Ins. premium	150,000	

Adjustment - Prepaid Insurance - ₹30,000

Adj. Entry → Prepaid Insurance Dr 30,000
 To Insurance prem. A/c 30,000

Asset
B/s

P&L A/c

To Ins. prem. 150,000	
(-) Ins. prem. <u>(30,000)</u>	120,000

3. Accrued Income (O/s Income) - Asset
 ↳ Income earned but not Received.

Ex-

Commission Received. ₹2,20,000

Bank Dr. 2,20,000
 To Commission A/c 2,20,000

Trial Balance

	Dr	Cr
Commission		2,20,000
Adj - Accrued Comm - ₹20,000 ✓		

Asset B/s

Accrued comm Dr 20,000
To commission A/c 20,000 ✓
↓ Income +

P&L A/c

	Cr.
By comm - 2,20,000 + Accrued 20,000	240,000

4. Income Received in Advance

↓
Unearned Income

↳ Liability

Ex. Fees Received - 7 crore

Bank Dr. 7,00,00,000
To fees 7,00,00,000

Trial Balance

		Cr.
Fees		7.00.00.000

Adj → Fees Received in Advance - ₹50.00.000

Income- ← Fees A/c Dr. 50.00.000
 TO Advance fees A/c 50.00.000
 ↓
 Liab-B/s

P&L A/c

By fees 7.00.00.000 (-) Advance <u>50.00.000</u>	6.50.00.000
---	-------------

Example

Trial Bal (Extract)

	Dr	Cr
Salary	18000	
Prepaid Salary	2000	
Interest		4000
Rent	10,000	
O/s Rent		2000
		Bal. sheet Asset
		Bal. sheet Liab

→ B/s Asset
 Acc. Int To Int
 Adj-
 1. Accrued Int - 1000
 2. O/s Rent - 1000
 Exp ✓ - Rent Dr 1000
 Liab ✓ To O/s Rent 1000

P&L A/c for the year...

To Salary	18000	By Int - 4000	
To Rent - 10,000		+ Acc Int - 1000	5000
+ O/s Rent 1000	11,000		

5. Provision for Doubtful Debt

↓
Amt not
Certain

↓
Loss of Debtors

Example -

Trial Balance

	Dr	Cr
Debtors	100,000	

Adj - Create prov. for Doubtful debts @ 10% on debtors.

↓
Loss - Dr
Debtor ↓ Cr.

→
→

P&L A/c Dr. 10,000

To prov. for Doubtful debt 10,000
↓ contra A/c

P&L A/c

Balance Sheet

Dr	
To prov. for Doubtful debt	10,000

Debtors - 100,000	
↳ prov. for <u>(10,000)</u>	90,000
Doubtful	

Prov. for Doubtful Debt - Revise

Case-2

Trial Balance

	Dr	Cr
Debtors	100,000	

Adj - 1. Bad debts, ₹10,000

↓
Adj entry:-

Bad debt Dr. 10,000 ← Nominal
To Debtors 10,000

P&L A/c

Dr.	
To Bad debts	10,000

Balance Sheet

Asset
Debtors - 100,000
↳ Bad debt <u>(10,000)</u> 90,000

Case-3

Trial Balance

	Dr	Cr
Debtors	100,000	

Adj - 1. Bad debts, ₹10,000

2. Prov. for Doubtful debt @ 10% on debtor

↘ Good debtors

Adj Entry -

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

2. P&L A/c Dr 9000
To prov. for Doubtful debt 9000

P&L A/c

Dr.

To Bad debts	10.000
To prov. for D.D	9000

Balance Sheet

Assets

Debtors - 100,000

(-) Bad debts (10,000)

Ex Prov. for DD (9000) | 81000

Case 4

Trial Balance

Dr

 C_r

Debtors

100,000

Bad debts

10.000

Already
Adj

Bad debt Dr
To Debtor

Adj - 1. Bad debts, ₹15,000
2. Prov. for Doubtful d

Adj - 1. Bad debts, ₹15,000
2. Prov. for Doubtful debt @ 10% on debtor

Adj. Entry → 1. Bad debt Dr 15000
To Debtors A/c 15000

Total Bad debts = ₹25,000 → P&L Or 25000
To Bad debts 25000

$$\begin{aligned}\text{Good Debtors} &= 1,00,000 - 15,000 \\ &= ₹85,000\end{aligned}$$

2. P&L Dr 8500
To prov. for Doubtful Debt 8500

P&L A/c		Balance Sheet	
Dr.			Assets
To Bad debts	25000		Debtors - 100,000
To prov. for DD	8500		↳ Bad debt (15000)
			↳ Prov. (<u>8500</u>)
			76500

Case-5

Trial Balance

	Dr	Cr
Debtors	100,000	
Prov. for D.D.		- 10,000

P&L Dr.
To prov. for DD

Adj- 1. Bad debts. ₹8000
2. Maintain prov. for DD @10% on Debtors

Adj Entry -

1. Bad debt Dr 8000
To Debtor A/c 8000

Prov. for Doubtful debt Dr 8000
To Bad debt A/c 8000

Balance in prov. for D.D. ₹2000

2. Good Debtors. ₹92000
 10% → 9200.

P&L Dr 7200
 To prov. for DD 7200 ✓

Prov. for Doubtful Debt A/c

Dr			
Part	₹	Part	₹
To Bad debts	8000	by bal b/d	10,000
To bal c/d	<u>9200</u>	by p&L A/c	<u>7200</u>

P&L A/c

Dr	
To prov. for Doubtful debt	7200

Balance Sheet

Assets	
Debtors - 100,000	
(-) Bad debt (8000)	
(-) Prov. (<u>9200</u>)	82800

Case-6

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

Adj- (i) Bad debts - ₹8000
(ii) Prov for Doubtful debt @10% on Debtors

Adj. Entry - (i) Bad debt Dr. 8000
To Debtor 8000

Total Bad debts. ₹13000

Prov. for Doubtful Debt Dr 10.000
P&L A/c Dr. 3000
To Bad debt 13000

ii) Good debtors- 92000

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

Dr. P&L A/c

To Bad debt	3000
To prov. for DD	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 (-) Old provision + New provision

Case-1

Trial Balance

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

- Adj. 1. Bad debts - 4000
 2. Prov. for Doubtful debt @10% on Debtors

Adj Entry - 1. Bad debt Dr 4000
 To Debtors A/c 4000

2 Prov. for Doubtful debt Dr 9000
 To Bad debt 9000

3. P&L A/c Dr 8600
 To prov. for DD 8600

Dr. P&L A/c

Balance Sheet

To prov. for DD

8600

Assets

Debtors - 100,000

↳ Bad debt (4000)

↳ Prov. (9600)

86400

Case-8

Trial Balance

	Dr	Cr
Debtors	100,000	
Prov. for D.D.		8,000
Bad debts	5000	

Adj- All other debtors are good

→ Prov. for Doubtful debt Dr. 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 D.D Dr 3000
To P&L A/c 3000

ILLUSTRATION 4

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 to be written off - ₹100,000

(-) Already existing prov - (40,000)

+ New prov. to be created 70,000
 $\left[\frac{5}{100} \times 14,00,000 \right]$

Amt to be Dr. to P&L A/c 130,000

6. Provision for Discount on Debtors.

↓
Discount allowed

Debtors ₹100,000 $\xrightarrow{5\%}$ Prov. for Disc on Debtors - ₹5,000

↓
P&L Dr. 5,000
To Prov. for Disc. 5,000 on Debtors

Ex-

1/4/2021 - Debtors - ₹100,000
During the year,

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

J.E.

1. Bad debt Dr. 10,000
To Debtors A/c 10,000

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

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

→ Prov. for Disc on Debtors =

Total Debtors	-	100,000
(-) Bad debts		<u>(10,000)</u>
		90,000
(-) Prov. for D.D		<u>(9000)</u>
		81,000

Prov. for Disc on Debtors 1620

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

P&L A/c

Dr.

To Bad debt	10,000
To prov. for DD	9000
To prov. for disc	1620

Balance Sheet

Assets

Debtors	100,000
(-) Bad debt	(10,000)
(-) Prov. for DD	(9000)
(-) Prov. for Disc.	<u>(1620)</u>
	79380

Example:

Trial Balance

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

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

P&L A/c

Dr.

To Bad debt - 12000	
(-) old prov. (10,000)	
+ New prov. <u>9300</u>	11300
To prov. for Disc on Debtors	8370

Balance Sheet

Assets

Debtors	100,000
(-) Bad debt	(7000)
(-) Prov. for DD	(9300)
(-) Prov. for disc.	<u>(8370)</u>
	75330

Following are the balances extracted from the books of Narain on 31st March, 2019:

Particulars	Amount (₹)	Particulars	Amount (₹)
Narain's Capital	3,00,000	Sales	15,00,000
Narain's Drawings	50,000	Sales Return	20,000
Furniture and Fittings	26,000	Discounts (Dr.)	16,000
Bank Overdraft	42,000	Discounts (Cr.)	20,000
Creditors	1,38,000	Insurance	20,000
Business Premises	2,00,000	General Expenses	40,000
Stock on 1st April, 2018	2,20,000	Salaries	90,000
Debtors <i>less: Prov. for DD</i>	1,80,000	Commission (Dr.)	22,000
Rent from Tenants	10,000	Carriage on Purchases	18,000
Purchases	11,00,000	Bad Debts Written off	8,000

Additional Information: - Adjustments

(i) Closing Stock as on 31st March, 2019 was ₹ 2,00,600, whereas its Net Realisable Value (Market Value) was ₹ 2,05,000. *Lower Trading Cr. Balance Sheet*

(ii) Depreciate: Business Premises by ₹ 3,000 and Furniture and Fittings by ₹ 2,500.

(iii) Make a provision of 5% on debtors for doubtful debts.

(iv) Carry forward ₹ 2,000 for unexpired insurance.

(v) Outstanding salary was ₹ 15,000. *cost - Asset - Prepaid exp*

Prepare Trading and Profit and Loss Account for the year.

Trading and Profit & Loss A/c for the year ended ----

Part	₹	Part	₹
To Op stock	2,20,000	By Sales - 15,00,000	
To Purchases	11,00,000	↳ Sales Ret (20,000)	14,80,000
To Carriage on purchases	18,000	By Closing stock	2,00,600
To Gross profit	<u>3,42,600</u>		
	<u>16,80,600</u>		<u>16,80,600</u>
To Depreciation		By Gross Profit	3,42,600
- Business premises	3,000	By Rent from tenants	10,000
- Furniture & fitting	2,500	By Disc. Rec.	20,000
To Disc. allowed	16,000		
To Bad debts	8,000		
To prov. for Doubtful debt	9,000		
[1,80,000 x 5%]			
To General exp	40,000		
To Insurance 20,000			
less: prepaid Ins (20,000)	18,000		
To Commission	22,000		
To Salary - 90,000			
Add: O/s sal. 15,000	1,05,000		
To Net profit	<u>1,49,100</u>		
	<u>3,72,600</u>		<u>3,72,600</u>

Following balances are taken from the books of Niranjana. Prepare Trading and Profit and Loss Account and Balance Sheet for the year ended 31st March, 2019:

Particulars	(Rs.)	Particulars	(Rs.)
Capital	12,00,000	Drawings	2,10,000
Opening Stock	4,50,000	Plant and Machinery	2,40,000
Furniture	15,000	Purchases	29,50,000
Sales	43,50,000	Insurances	15,000
Purchases Return	40,000	Sales Return	70,000
Rent	50,000	Trade Expenses	20,000
Salaries	2,40,000	Wages	4,00,000
Bad Debts	10,000	Investments	5,00,000
Sundry Debtors	4,00,000	Sundry Creditors	1,90,000
Bills Payable	8,000	Cash	1,22,000
Advertisement Expenses	60,000	Miscellaneous Income	12,000
Patents	48,000		

Adjustments:

- Closing Stock Rs. 7,50,000.
- Depreciate Machinery by 10% and Furniture by 20%.
- Wages Rs. 50,000 and salaries Rs. 20,000 are outstanding.
- Write off Rs. 50,000 as further Bad Debts and create 5% Provision for Doubtful Debts. Also, create a reserve for discount on Debtors @ 2%.

In the Books of Nirangan
Trading Account For the year ended 31st M. 2019

To	Particulars	₹	Particulars	₹
	To opening stock	4,50,000	by Sales	43,50,000
	purchases 29,50,000		(-) sales returns	70000
	(-) purchases return	40,000		42,80,000
	return	29,10,000		
			by closing stock	7,50,000
	To wages 4,00,000			
	(+) o/s wages 50,000	4,50,000		
	To Gross profit c/d	12,20,000		
		5,03,000		50,30,000

In the Books of Nirangan
Profit and Loss account For the year Ended 31st March 2019

To	Particulars	₹	Particulars	₹
	Depreciation & plant & Machs		by Gross profit b/d	12,20,000
	Machinery : 24,000		by Miscellaneous Income	12,000
	(+) Furniture 3500	27,1000		
To	To Salaries 24,000			
	(+) o/s 20000	2,60,000		
	To Bad debts 10000			
	(+) Bad debt (Adjust.) 50000			
		60000		
	(+) New provision 17500	77,500		
	To Rent	50,000		
	To provision on Discount on Debtors	6650		
	To Adverti. Expenses	60,000		
	To Insurances	15,000		
	To Trade Expenses	20000		
	To Net profit	7,15,850		
		12,32,000		12,32,000

Balance sheet as at 31st March, 2019

Liabilities	₹	Assets	₹
Capital 12,00,000		plant & Machinery	2,40,000
(-) Drawings 2,10,000		(-) Depreciation 24,000	2,16,000
(+) Net profit 7,15,850	17,05,850	Furniture 15,000	
Outstanding wages 50,000		(-) Depreciation 3,000	12,000
Outstanding Salaries 20,000		Closing stock	7,50,000
Bills payable 8,000		Debtors 4,00,000	
Creditors 1,90,000		(-) Bad debts 50,000	
			3,50,000
		(-) provision for Doubtful debts 17,500	
			3,32,500
		(-) provision for discount on Debtors 6,650	
			3,25,850
		patents	48,000
		Investments	5,00,000
		Cash	1,22,000
	19,73,850		19,73,850

7. Abnormal Loss of Inventory.

↓
Fire, theft, earthquake

Adjustment: Stock costing ₹10,000 destroyed by fire.

Adj. Entry :-

Loss by fire 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) Ins. claim - ₹8000

↓ loss

Insurance claim Dr. 8000

Receivable
B/s

P&L A/c Dr. 2000 → loss

Bank Dr. 8000
To Ins. claim 8000

To loss by fire 10,000

c) Ins. claim - ₹12000

Insurance claim Dr. 12000 - Receivable

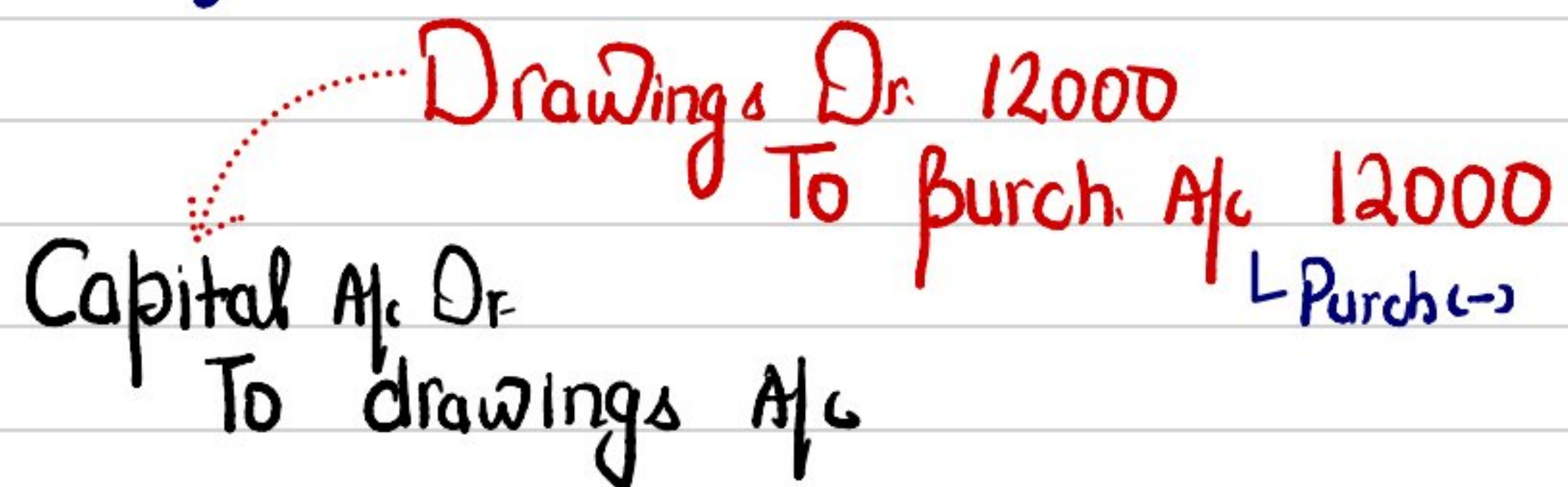
Gain ← To loss by fire A/c 10,000
To P&L A/c 2000

8. Goods used other than Sale.

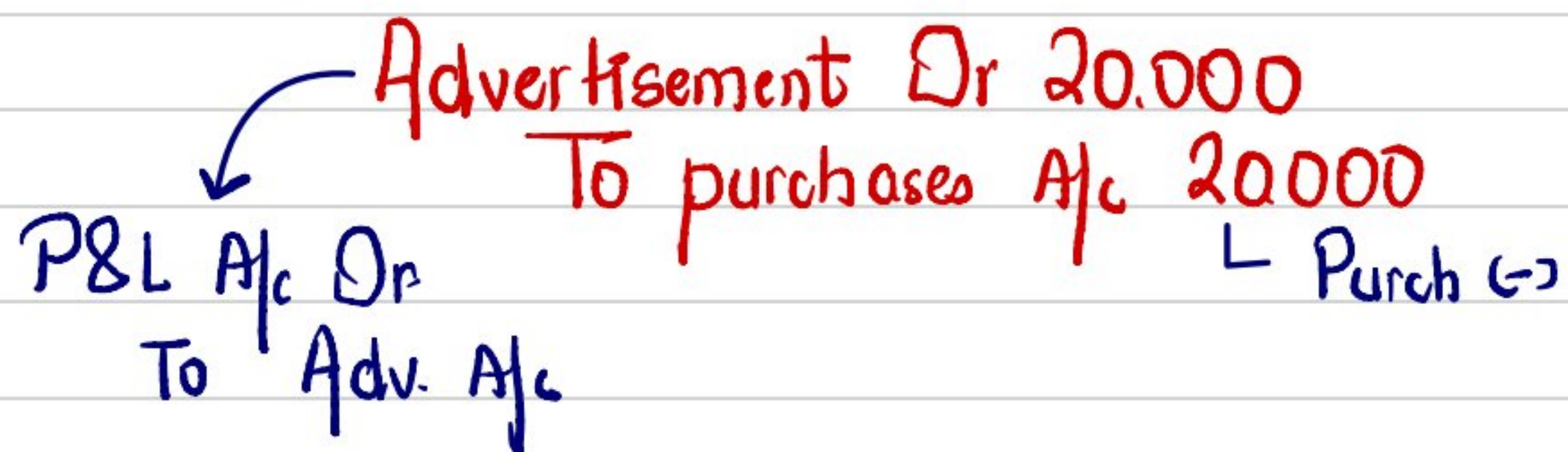
a) Donation of Goods - ₹10,000



b) Drawings of Goods - ₹12,000



c) Free Samples - ₹20,000



d] Goods used in Construction of Assets - Building
- ₹100,000

Asset - Building Dr. 100,000
To Purch A/c 100,000 - Purch (-)

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

Repair & Maint Dr. 10,000
To Purch 10,000
P&L Dr. | Purch (-)

9. Commission to Manager, based on % of Profit

a. % of Net Profit before charging commission.

Net profit before comm - 1,10,000 ✓
Managers comm - 10% of net profit bef. comm 11,000

Net Profit after charging comm 99,000

Adj. Entry -

Managers' commission Dr. 11,000
To O/S Managers comm. 11,000 - Payable
P&L A/c Dr.
To Manag. Comm. Liability

b. % of Net profit after charging comm.

Profit before comm. - 1,10,000 110
 Manager's comm. \rightarrow 10% of net profit after ch. comm. - () 10
 Net profit after ch. comm. _____ 100

$$\begin{array}{r} \text{Profit before comm} \\ 110 \\ \hline 1 \end{array} - \begin{array}{r} \text{Comm} \\ 10 \\ \hline 110 \end{array}$$

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

$$1 \times 1,10,000 - \left(\frac{10}{110} \times 1,10,000 \right)$$

$$= \frac{\text{Rate}}{100 + \text{Rate}} \times \text{Profit before Commission}$$

\Rightarrow Ex. Net profit before Commission. ₹ 2,20,000
 Commission @ 10% on net profit after charg. comm.

$$\text{Manager's Comm.} = \frac{10}{110} \times 2,20,000 = 20,000$$

Managers Comm Dr 20,000
 To of Man Comm 20,000

10. Hidden Adjustment

Trial Balance
as on 31.3.23

Dr

Cr.

10% Bank Loan
Clst Oct, 2022

100,000

Interest on -
Bank Loan

$$100,000 \times \frac{10}{100} \times \frac{6}{12} = 5000$$

o/s Int bcz there is
no Int A/c in Trial
Balance.

Adj Entry -

P&L A/c Dr.

Int on Bank Loan Dr 5000

To o/s Int A/c 5000

Liability

From the following Trial Balance of Shradha as on 31st March, 2019, prepare Trading and Profit and Loss Account

Heads of Accounts	Debit Balances (Rs.)	Credit Balances (Rs.)
Capital	...	80,000
Drawings	18,000	...
Sales	...	1,55,000
Purchases	82,600	...
Stock (1st April, 2018)	42,000	...
Returns Outward	...	1,600
Carriage Inwards	1,200	...
Wages	4,000	...
Power	6,000	...
Machinery	50,000	...
Furniture	14,000	...
Rent	22,000	...
Salary	15,000	...
Insurance	3,600	...
8% Bank Loan	...	25,000
Debtors	20,600	...
Creditors	...	18,900
Cash in Hand	1,500	...
Total	2,80,500	2,80,500

Adjustments:

(i) Closing Stock Rs. 64,000.

(ii) Wages outstanding Rs. 2,400.

(iii) Bad Debts Rs. 600.

(iv) Provision for Doubtful Debts to be 5%.

(v) Rent is paid for 11 months.

(vi) Insurance premium is paid per annum, ended 31st May, 2019.

(vii) Loan from the bank was taken on 1st October, 2018.

(viii) Provide Depreciation on machinery @ 10% and on Furniture @ 5%.

In the Books of Shradha
Trading account for the year Ended 31st March, 2019

particulars	₹	particulars	₹
To opening stock	42,000	by Sales	1,55,000
To purchases 82,600		by closing stock	64,000
(-) Returns outwards 1600	81,000		
To power	6000		
To Carriage inward	1200		
To wages 4000			
(+) o/s wages 2400	6400		
To Gross profit c/d	82,400		
	2,19,000		2,19,000

In the Books of Shradha
profit and loss account for the year Ended
31st March, 2019

particulars	₹	particulars	₹
To Rent 22000		by Gross profit	82,400
(+) o/s Rent 2000	24,000	b/d	
Insurance 3600			
(-) prepaid 600	3000		
To Interest on loan	1000		
To Depreciation & Machinery 5000			
(+) Furniture 700	5700		
To Salary	15,000		
To Bad debts	600		
To provision for Doubtful debts	1000		
To Net profit	32,100		
	82,400		82,400

Balance sheet as at 31st March, 2019

Liability	₹	Assets	₹
Capital 80,000		Machinery 50,000	
(-) Drawings 18,000		(-) Depreciation 5000	45,000
(+) Net profit 32,100	94,100	Furniture 14,000	
		(-) Depreciation 700	13,300
Outstanding wages 2,400	2,400	Closing stock 64,000	64,000
8% Bank loan 25,000	25,000	Prepaid insurance 600	600
Outstanding Rent creditors 18,900	18,900	Cash in hand 1,500	1,500
Outstanding interest on 8% Bank loan 1,000	1,000	Debtors 20,600	
		(-) Bad debts 600	
			20,000
		(-) provision for doubtful debts 1,000	19,000
	1,43,400		1,43,400

11. Inventory of Material in hand

Stationery purchase - ₹10,000

↓
Stationery Dr. 10,000
To Bank A/c 10,000

31st Mar - Stock of Stationery - ₹2000

↓
Stock of Stationery Dr. 2000 ^{Asset}
To Stationery A/c 2000
L Exp ↓

Closing → P&L A/c Dr. 8000
To Stationery A/c 8000

12. Income Tax

Sole proprietor

↓
Tax on Total Income

→ { Income Tax Dr. 20,00,000 ✓
To Bank A/c 20,00,000 ← Bank

→ Income tax paid by sole proprietor is his/her personal expense, not business expense.

Adj

Drawings Dr. 20,00,000 +
To Income Tax 20,00,000 (-)

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:

Expense

- (i) Amount of salaries which would be charged to the profit and loss for the year ended 31st March, 2022. 21-22
- (ii) Amount actually paid as salaries during 2021-22
- (iii) Outstanding Salaries as on 31st March, 2022. Mar 22

	₹
(i) Salaries of 8 employees @ 33000 pm each - [33000 x 12 x 8]	31.68.000
Salaries of 2 trainees @ 21000 pm each [21000 x 2 x 6]	252000
Salaries to be charged to P&L A/c for the year ended 31st Mar, 2022.	<u>34,20,000</u>



Salaries of 8 employees		
Apr 21 to Mar 22 -	33000 @ 8 x 11	-
		2904000
Salary of Mar 21 paid in Apr 21 -	30,000 x 8	-
		240.000

Salaries of 2 trainee		
Oct 21 to Mar 22 -	21000 x 2 x 5	-
		210.000
Salaries paid in 2021-22		<u>3354000</u>

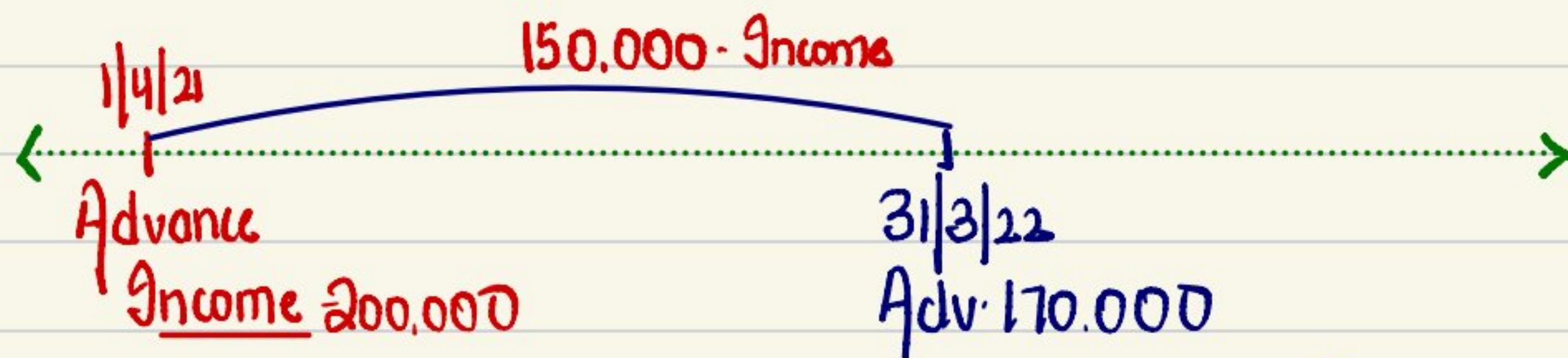
(ii)	8 employees @ 33000 pm - for 1 month -	264000
	2 trainees @ 21000 pm - for 1 month -	42000
	O/s Salaries as on 31/3/2022	<u>306000</u>

PQ-4

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 2022 has been given below:

On 1.4.2021 he had a balance of ₹ 2,00,000 advance from customers of which ₹ 1,50,000 is related to year 2021-22 while remaining pertains to year 2022-23. During the year 2021-22 he made cash sales of ₹ 5,00,000. You are required to compute:

- Total income for the year 2021-22.
- Total money received during the year if the closing balance in advance from customers account is ₹ 1,70,000.



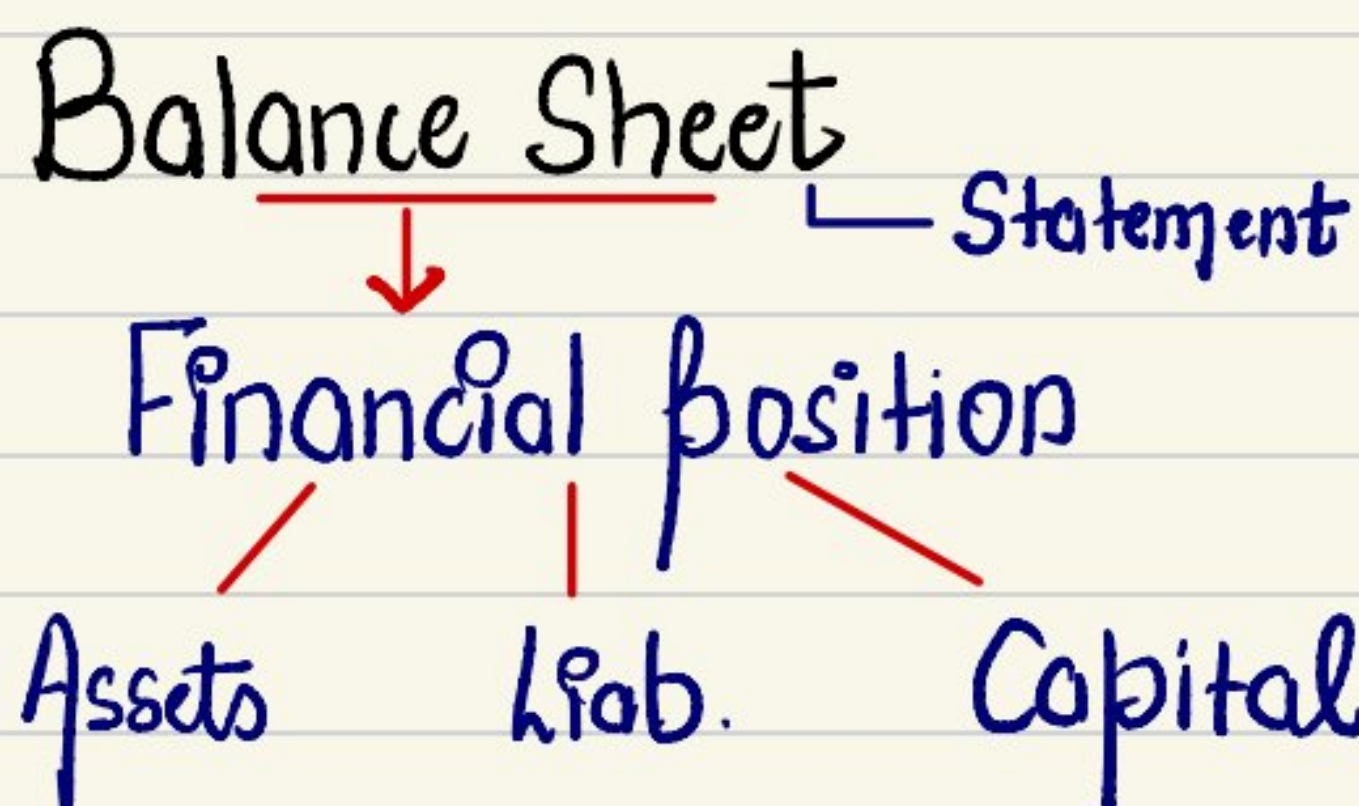
(i)	Cash Sales for 21-22 -	₹ 500.000
	Advance income received during previous year	+ 150.000
	<u>Total Income of 21-22</u>	<u>650.000</u>

(ii)

Advance Sub A/c ^{Liab}

Dr.					
Date	Part	₹	Date	Part	₹
31.3.22	To Subscription Income A/c	150.000	1.4.21	by bal b/d	200.000
31.3.22	To bal c/d	<u>170.000</u>		by Bank A/c (bal fig)	<u>120.000</u>

		₹
	Cash Sales during the year	500.000
+	Adv. Rec. during the year	<u>120.000</u>
	Total Money Received.	620.000



1. Prepared at a particular date
↳ as on/at 31st Mar. 2023
2. Accounting equation.
✓ Assets = Liab + Cap
Includes Net profit

→ Arrangement of Assets & Liab.

1. Liquidity - (i) Assets - which can be converted into cash first, are presented first.

(ii) Liab - which are to be paid first, are presented first

Balance Sheet as at...

Liabilities	Amount	Assets	Amount
	₹		₹
Bills Payable		Cash in Hand	
Trade Creditors		Cash at Bank	
Loans		Government Securities	
Outstanding Expenses		Other Investments	
Reserves & Surplus		Bills Receivable	
Capital		Sundry Debtors	
		Stock	
		Furniture & Fixtures	
		Plant & Machinery	
		Land and Building	

2. Permanence: Assets: which are to be used for long term, are presented first.

Liab: Capital, NCL are to be presented first

Balance Sheet as at...

Liabilities	Amount	Assets	Amount
	₹		₹
Capital		Land and Building	
Reserves & Surplus		Plant & Machinery	
Outstanding Expenses		Furniture & Fixtures	
Loans		Stock	
Trade Creditors		Sundry Debtors	
Bills Payable		Bills Receivable	
		Other Investments	
		Government Securities	
		Cash at Bank	
		Cash in Hand	

ILLUSTRATION 6

Given below Trial Balance of M/s Dayal Bros. as on 31st March, 2022 :

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

Required

Prepare Balance Sheet as on 31st March, 2022.

Balance Sheet of M/s Dayal Bros.

As on 31st Mar 2022

Liabilities	₹	Assets	₹
Capital - 700,000		Land & Build. 300,000	
+ Net profit 100,000		Trade Receivable 420,000	
- Drawings (60,000)	740,000	Cash in hand 20,000	
14% Term Loan 400,000		Inventories in Trade 600,000	
Loan from D & Co. 460,000		Furniture 200,000	
Trade pay 40,000		Adv. to Supp 100,000	
	1640,000		1640,000

On 31st March, 2021 the following Trail Balance was prepared from the books of Manpreet:

Debit Balance	Amount	Credit Balance	Amount
Furniture	3,400	Capital	1,00,000
Building	21,700	Discount received	2,000
Drawings	4,200	Bank Loan	10,000
Cash at Bank	2,470	Purchases Return	970
Wages -500	31,250	Sales	1,91,940
Discount Allowed	2,640	Sundry Creditors	12,450
Bank Chagres	90	Provision for Doubtful Debts	800
Salaries	5,610		
Purchases	1,32,700		
Opening Stock	40,200		
Cash in Hand	150		
Sales Return	1,250		
Carriage Inward	3,400		
Machinery +500	14,600		
Sundry Debtors	43,800		
Bad Debts	1,000		
Insurance	1,250		
Rent	2,450		
Bills Receivable	2,500		
Advertisement	3,500		
	3,18,160		3,18,160

$15100 \times 10\%$

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2021 and also the Balance Sheet as at that date after making the following adjustments:

- Closing Stock at cost was Rs. ~~35,000~~ whereas its net realisation value (market value) was Rs. 30,000.
- Wages included Rs. 500 paid for the installation of machinery.
- Provision for Doubtful Debts was raised to Rs. 1,400 and further bad debts of Rs. 300 were written off.
New Prov
- In the month of March, 2021, a fire broke out and destroyed stock to the value of Rs. 8,000. The insurance company admitted claim for loss of stock of Rs. 5,000 only and the amount was paid in April, 2021.
- Outstanding salaries were Rs. 500.
- Prepaid insurance was Rs. 250 and prepaid advertisement Rs. 500.
- Machinery was depreciated by 10% and furniture by 15%.

Trading and P&L A/c for the year ended 31/3/21

Part	₹	Part	₹
To op Stock	40200	By Sales- 191940	
To purch- 132100		(-) Sales Return <u>(1250)</u>	190690
(-) Purch Ret <u>(970)</u>	131730		
To Carriage Inward	3400	By closing stock	30,000
To Wages- 31250		by loss by fire	8000
(-) Inst. of Mach <u>(500)</u>	30750		
To Gross Profit	<u>22610</u>		
	228690		<u>228690</u>
To Bank charges	90	By Gross Profit	22610
To Dep- Mach- 1510		By Disc. Rec.	2000
Furn- <u>510</u>	2020		
To Bad debt- 1000			
+ Further bad debt- 300			
(-) Old prov. (800)			
+ New prov. <u>1400</u>	1900		
To Disc. all.	2640		
To loss by fire	3000		
To Salary 5610			
+ o/s sol <u>500</u>	6110		
To Insurance- 1250			
(-) Prep Ins <u>(250)</u>	1000		
To Adv- 3500			
(-) prep <u>(500)</u>	3000		
To Rent	2450		
To Net Profit	<u>2400</u>		

Balance Sheet

as at 31st Mar 21

Liab	₹	Assets	₹
Cap - 100.000		Closing Stock	30.000
(-) Drawings (4200)		Mach - 14600	
+ Net profit <u>2400</u>	98200	+ wages 500	
		(-) Dep <u>(1510)</u>	13590
Creditors	12450	Cash at Bank	2470
o/s Salary	500	Debtors - 43800	
Bank Loan	10.000	(-) Bad debt (300)	
		(-) New prov <u>(1400)</u>	42100
		Building	21700
		Insurance claim	5000
		Prepaid Ins.	250
		Prepaid Adv.	500
		Furniture - 3400	
		(-) Dep. <u>(510)</u>	2890
		Cash in hand	150
		Bills Receivable	2500
	<u>121150</u>		<u>121150</u>

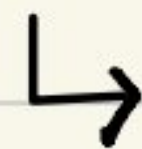
→ Opening entry

Balance Sheet
as on 31st March, 2023

Capital	40,000	Cash	10,000
Creditors	8,000	Bank	12,000
		Stock	5,000
		Debtors	8,000
		Plant & Mach	13,000
	<u>48,000</u>		<u>48,000</u>

2023-24

1st April



Cash A/c	→	Dr.	10,000
Bank A/c		Dr.	12,000
Stock A/c		Dr.	5,000
Debtors A/c		Dr.	8,000
Plant & Mach A/c		Dr.	13,000

To Creditors A/c 8,000
To Capital A/c 40,000

Cash A/c

Dr		Cr
----	--	----

31/3/23 by bal cld 10,000

1/4/23 To bal b/d
10,000

opening bal

ILLUSTRATION 11

The Balance Sheet of Mr. Popatlal, a merchant on 31st March, 2022 stood as below:

Liabilities	Amount	Assets		Amount
	₹			₹
Capital	2,40,000	Fixed Assets		1,25,600
Trade payables	1,64,000	Inventories		2,06,400
Bank Overdraft	1,46,000	Trade receivables	1,88,000	
		Less: Provision	(6,200)	1,81,800
		Cash		36,200
	5,50,000			5,50,000

Required

Show opening journal entry on 1st April, 2022 in the books of Mr. Popatlal.

In the Books of Mr. Popatlal

Journal

1/4/22

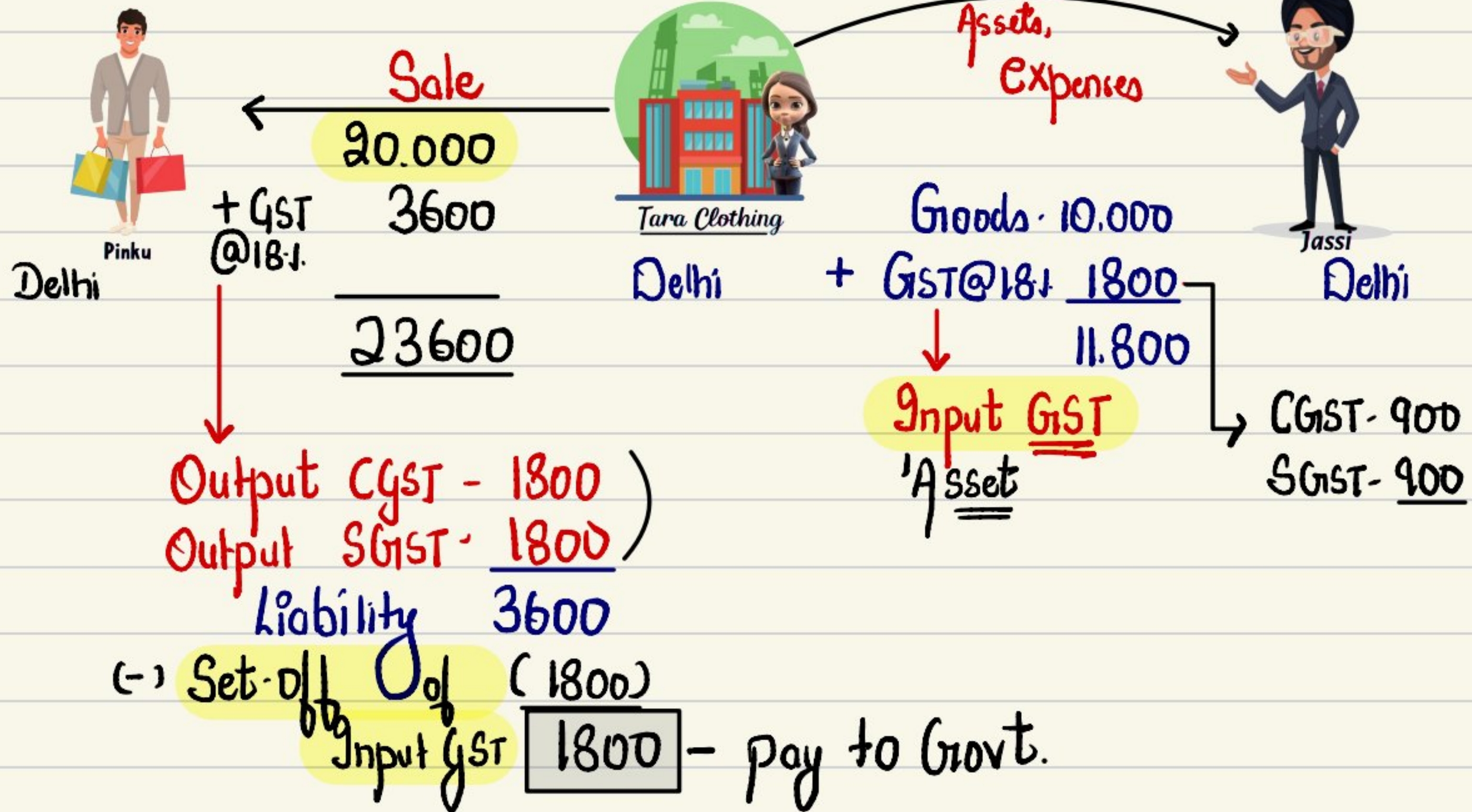
Fixed Assets A/c Dr. 125600
Inventories A/c Dr. 206400
Trade Receivable Dr. 188000
Cash A/c Dr. 36200
To Trade pay 164000
To capital 240,000
To provision 6200
To Bank overdraft 146000

H.W. 911.8

→ **GST**

Input
GST

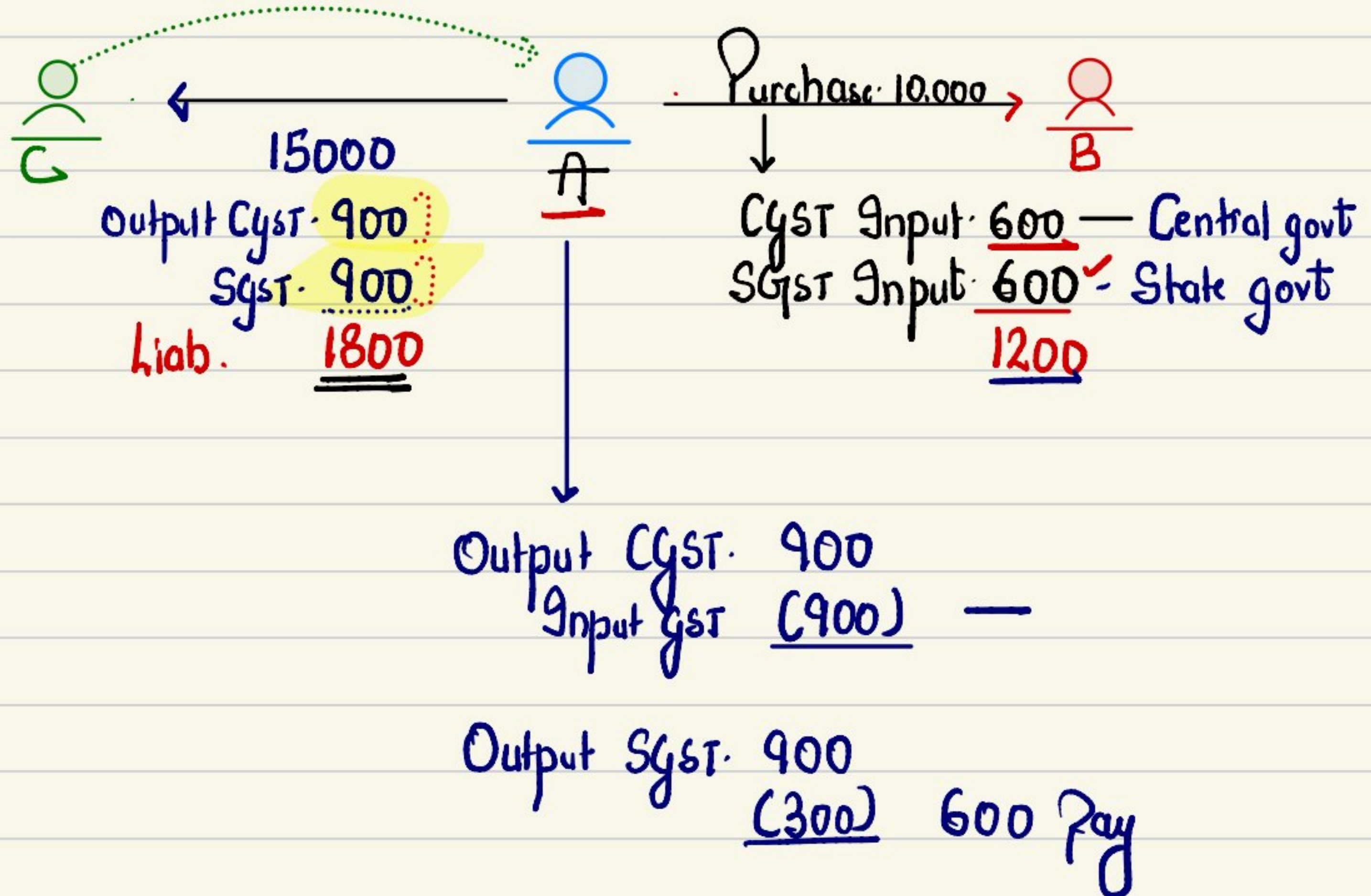
Output
GST



Input GST - Asset - Dr. balance
Output GST - Liab - Cr. balance

Set-off Rules

Input IGST	Input CGST	Input SGST
1] Output IGST	Output CGST	Output SGST
2] Output CGST & SGST	Output IGST	Output IGST



Centre - 600
 State - 600 + 600 = 1200
1800

eg

Output	IGST	CGST	SGST
Output	10,000	8,000	8,000
Input	12,000	8,000	8,000

		IGST output	CGST output	SGST output	Balance
		10,000	8,000 ✓	8,000	Input
1. IGST Input	12,000	10,000	2,000		NIL
2. CGST Input	8,000		6,000		2,000
3. SGST Input	8,000			8,000	-
Balance output		-	-	-	

eg- Output IGST - 18,000 Input IGST - 8,000
 Output CGST - 6,000 Input CGST - 10,000
 Output SGST - 6,000 Input SGST - 4,000

		IGST output 18000	CGST output 6000	SGST output 6000	Balance Input
1. IGST Input	8000	8000			—
2. CGST Input	10,000	4000	6000		—
3. SGST Input	4000			4000	—
	Payment	6000	-	2000	

Journal :- Output IGST Dr. 6000
 Output SGST Dr. 2000
 To Bank A/c 8000

Set off Rules of GST

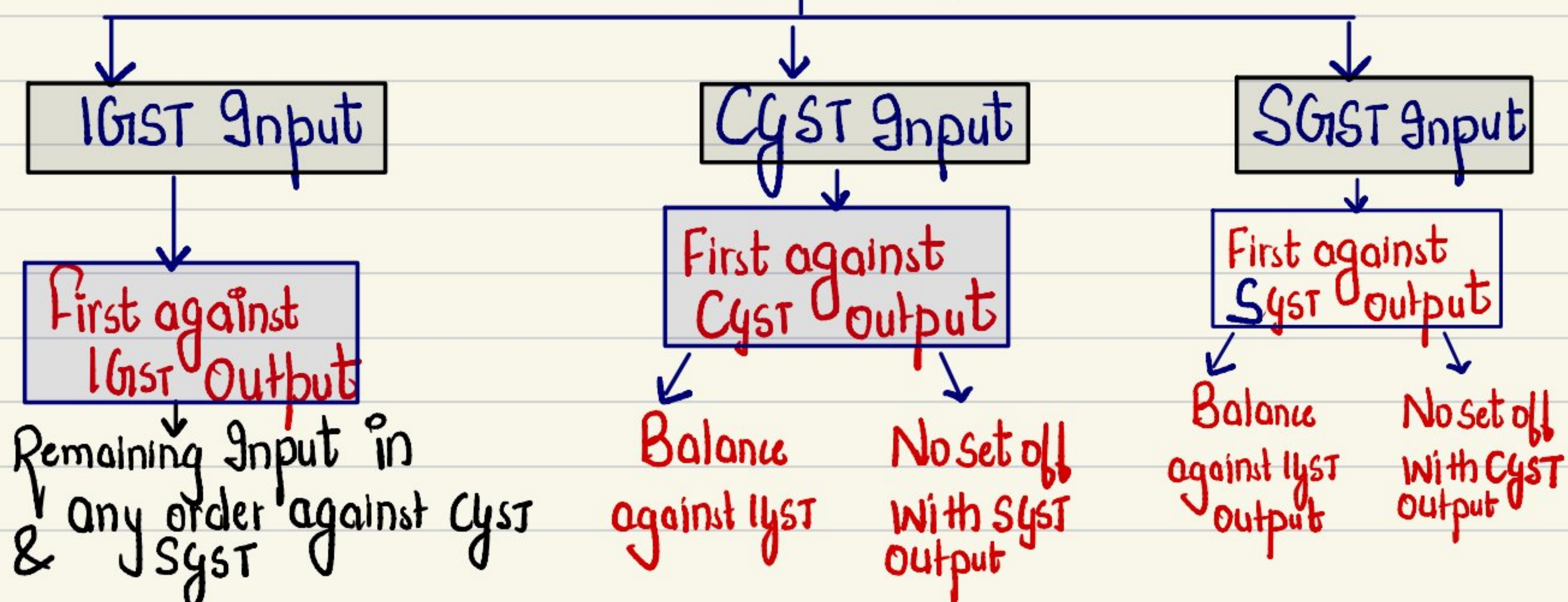


ILLUSTRATION 9

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	<u>40,000</u>	<u>30,000</u>
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) → Balance remaining - ₹3000,
will be shown in Asset.

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 output 6000	CYST output 8000	SGST output 8000	Balance Input
1. IGST Input	—				
2. CYST Input	10,000	2000	8000		—
3. SGST Input	10,000	2000		8000	—
	Payment	2000	—	—	

↓
Liability

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

Part	₹	Part	₹
To op Inventory	1,10,000	By Sales. 970,000	
To Purchases. 430,000		(-) Returns (20,000)	950,000
(-) Returns (12,000)	418,000		
To freight inward	40,000	By cl. Inventory	1,80,000
To Gross profit	<u>562,000</u>		
		By Gross Profit	562,000
To Dep on furniture	35,000		
To Salaries	210,000	By Discount	4,000
To Adm. exp	150,000		
To Discount	19,000		
To Bad debt	5,000		
To Net profit	<u>152,000</u>		<u> </u>

Balance Sheet

as on 31st Mar, 2022

Liab	₹	Assets	₹
Cap - 650.000		Closing Inv. 180.000	
+ Net profit 152000	802000	Furniture 350.000	
		- Dep. (35000)	315000
Trade pay. 190.000		Trade Rec 210.000	
Output IGST 2000		Inv. In Govt Sec 100.000	
		Cash in hand 189.000	
	994000		994000

RTP

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

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

Adjustments:

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

4. Closing stock - 18790

Trial Balance

as on 31.03.2021

	Dr	Cr.
Capital		16000
Op Stock	17500	
Drawings	3305	
Return Inward	550	
Carriage Inward	1240	
Deposit with X	1400	
Return outward		840
Carriage outward	725	
Rent	800	
Rent o/s		150
Purchases	13000	
Debtors	5000	
Creditors		2200
Furniture	1500	
Sales		24000
Wages	850	
Cash	1370	
Advertisement	950	
	<u>48190</u>	<u>48190</u>

Trading and Profit and Loss Account of Mr. Bansal
for the year ended 31st March, 2021

Dr.					Cr.
Particulars	₹	₹	Particulars	₹	₹
To Opening stock		17,500	By Sales	29,000	
To Purchases	13,000		Less: Returns inward	<u>(550)</u>	28,450
Less: Returns outward	<u>(840)</u>	12,160	By Stock destroyed by fire		2,000
To Wages		850	By Closing stock		18,790
To Carriage inward		1,240			
To Gross profit		<u>17,490</u>			
		<u>49,240</u>			<u>49,240</u>
To Carriage outward		725	By Gross profit		17,490
To Rent		800			
To Advertisement		950			
To Bad debts		600			
To Provision for doubtful debts (5% of ₹ 4,400)		220			
To Loss of stock by fire		500			
To Depreciation on furniture (10% of ₹1,500)		150			
To Net profit		<u>13,545</u>			
		<u>17,490</u>			<u>17,490</u>

Balance Sheet of Mr. Bansal

as at 31st March, 2021

<i>Liabilities</i>		₹	<i>Assets</i>		₹
Capital	16,000		Furniture	1,500	
Add: Net profit	<u>13,545</u>		Less: Depreciation	<u>150</u>	1,350
	29,545		Deposit with X		1,400
Less: Drawings	<u>3,305</u>	26,240	Closing Stock		18,790
Sundry creditors		2,200	Sundry debtors	5,000	
Outstanding rent		150	Less: Bad debts	<u>600</u>	
				4,400	
			Less: Provision for Doubtful Debts	<u>220</u>	4,180
			Insurance claim receivable		1,500
			Cash		<u>1,370</u>
		<u>28,590</u>			<u>28,590</u>

ILLUSTRATION 7

Imp

The balance sheet of Thapar on 1st April, 2021 was as follows: - Opening Bal. Sheet

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

- Rent received from property let out ₹ 3,00,000.
- Depreciation on Plant and Machinery @ 10% and on Furniture and Fixtures @ 5%.
- 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.

1. P&L Dr
To o/s exp.
b/s

2. Prep Ins
To P&L

WN.

Profit & Loss A/c [Revised]
for the year ended 31st Mar, 22

Dr.

Cr.

To o/s expenses

180,000

To Net profit

1670,000

by bal b/d

1830,000

by prepaid Insurance

20,000

=====

Balance Sheet

as on 31st Mar, 2022

Liabilities	₹	Assets	₹
Cap - 50.00.000		Prepaid Insurance	20.000
+ Net profit 1670.000		Plant & Mach. 30.00.000	
(-) Drawings <u>(600.000)</u>	60.70.000	(-) Dep. <u>(300.000)</u>	2700.000
O/s Exp	180.000	Furn & fixture - 300000	
Trade payables	11,40,000	(-) Dep <u>(15000)</u>	285000
		Inventories	1450.000
		Trade Rec - 20.00.000	
		(-) Prov. for DD <u>(100.000)</u>	1900.000
		Cash at Bank	<u>1035000</u>
	<u>7390.000</u>		<u>7390.000</u>

RTP - Final Alc + Rectification

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

	Dr. ₹	Cr. ₹
Capital	-	18,00,000
Drawings - 36000 ✓	2,10,000	-
Fixed Assets (Opening) ✓	4,20,000	-
Fixed Assets (Additions 01.10.2021) ✓ 6 months	6,00,000	-
Opening Stock	1,80,000	-
Purchases + 48000	48,00,000	-
Purchases Returns + 3000	-	2,07,000
Sales	-	66,00,000
Sales Returns - 3000 ✓	2,97,000	-
Debtors ✓	7,50,000	-
Creditors + 48000 ✓	-	6,60,000
Expenses + 36000 - 18000 ✓	1,50,000	-
Fixed Deposit with Bank	6,00,000	-
Interest on Fixed Deposit	-	60,000
Bank ✓ Cash	-	24,000
Suspense A/c close	-	6,000
Depreciation	42,000	-
Rent (17 months upto 31.8.2022) 11/4/21 - 31/8/22	51,000	-
Investments 12% (01.8.2021) - 8m	7,50,000	-
Bank Balance 9nt 31/3/22 9nt	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:

- ₹ 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.
- 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.
- 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.
- 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.

Journal

1. Expenses A/c Dr. 36000
To drawings A/c 36000 ✓

2. Purchases A/c Dr 48000
To Creditor A/c 48000

3. Correct entry Wrong

Party Dr. 3000
To purch Ret 3000 ✓

Sales Ret Dr. 3000

⇒ Susp A/c Dr. 6000
To Sales Ret A/c 3000
To purch. Ret A/c 3000

4. Prepaid Exp Dr. 18000 - Bls
To Exp. A/c 18000

Trading and Profit & Loss A/c for the year ended 31/3/2022

Dr					Cr.
Part	₹		Part	₹	
To op stock	180.000		By Sales - 6600.000		
To Purchases - 4800.000			Less: Sales Ret <u>294000</u>	6306000	
Add: Ommission 48000			(297000-3000)		
Less: Purch Ret <u>(210.000)</u>	4638000				
(207000+3000)			By closing stock	300.000	
To Gross Profit	<u>1788000</u>			<u></u>	
To Dep on Fixed Assets	72000		By Gross Profit	1788000	
(42000+30.000)					
To Expenses - 150.000			By Int on P.O.	60.000	
Add: Rectification 36000					
Less: Prepaid <u>(18000)</u>	168000		By Int on Inv-	60000	
			[$750.000 \times \frac{12}{100} \times \frac{8}{12}$]		
To Rent - 51000					
- prep <u>(15000)</u>	36000				
To Net profit	<u>1632000</u>			<u></u>	

Balance Sheet

as on 31st Mar, 2022

Liab	₹	Assets	₹
Cap - 1800.000		Cl. Stock	300.000
Less: Drawings 174000		Fixed Assets - 10.20.000	
(210.000 - 36000)		- Dep <u>(30.000)</u>	9.90.000
Add: Net profit <u>1632000</u>	3258000	Prepaid Expense	18000
		Debtors	750.000
Creditors - 6.60.000		Fixed Deposit	600.000
Add: Omission <u>48000</u>	708000	Prepaid Rent	15000
Bank overdraft	24000	Investment	750.000
		Accrued Int on Inv.	60.000
		Bank	507000
	<u><u>3990000</u></u>		<u><u>39,90.000</u></u>

PYQ

(c) The balance sheet of S on 1st April, 2021 was as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	6,50,000	Furniture and Fixtures	6,50,000
Expenses Payable	75,000	Vehicle	2,75,000
Capital	22,00,000	Trade Receivable	11,00,000
		Cash at Bank	4,75,000
		Inventories	4,25,000
	29,25,000		29,25,000

During 2021-22, his profit and Loss Account revealed a net profit of ₹ 6,70,000. This was after allowing for the following:

- Commission paid to selling agent ₹ 65,000 ✓
- Discount received from creditors ₹ 75,000 >
- Purchased a vehicle of ₹ 50,000 on 31st March, 2022 ✓
- Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20% ✓
- A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2022

$$\begin{array}{r} 215000 \\ (-) \text{Dep } (55000) \\ \hline 220000 + 50000 \end{array}$$

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

- prepaid expenses ₹ 15,000 and
- outstanding commission ₹ 35,000.

Adj - No Treatment done

His current assets and liabilities on 31st March, 2022 were: Inventories ₹ 6,50,000. Trade Receivables 13,00,000 (before provision for doubtful debts), cash at Bank 5,50,000 and Trade Payables ₹ 1,46,000.

During the year he introduced further capital of ₹ 3,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2022.

(10 Marks)

Balance Sheet of S as on 31st March, 2022

Liabilities		₹	Assets	₹
Capital	22,00,000		Cash at Bank	5,50,000 ✓
Add: Net Profit (WN.1)	<u>6,50,000</u>		Trade receivables	12,61,000
	28,50,000		Vehicle ^{1300,000} ₍₃₉₀₀₀₎ Prov.	
Add: Introduction of capital	<u>3,00,000</u>		Vehicles (WN. 3)	2,70,000
		31,50,000	Furniture & Fixtures (WN. 4)	<u>5,85,000</u> ✓
Outstanding commission		35,000	Inventories	6,50,000 ✓
Trade payables		1,46,000 ✓	Prepaid expenses	15,000
		<u>33,31,000</u>		<u>33,31,000</u>

Working Note 1

Profit and Loss Account (Revised)

Particulars	₹	Particulars	₹
To Outstanding Commission	35,000	By Balance b/d	6,70,000
To Net profit	6,50,000	By Prepaid expenses	15,000
	<u>6,85,000</u>		<u>6,85,000</u>

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

$$\frac{12 \times 11}{100 \times 12} = 33000$$

6000/-

10 months

5500

27,000

+40,000

-40,000

=15000

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:

14000 - Dep^{No}
 ↳ Assump. Year Starting

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 - 31/3/2022, 11 months
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.

$$\frac{15000}{15} \times 3 = 3000$$

31/3 3 M - Prepaid

Trading A/c
 for the year ended 31st Mar. 22

Part	₹	Part	₹
To op. stock	620.000	By Sales - 2300.000	
To purchases - 1400.000		(-) Rectification (14000)	
(-) Rectification (40.000)		(-) Sales Ret (42000)	2244000
(-) Purch & Ret (26000)	13.34000		
To freight	12000	By closing stock	4.40.000
To Gross profit	718000		

Profit & Loss A/c for the year ended ...

Part	₹	Part	₹
To Dep-		By Gross profit	718000
Building 30.000		By Disc Rec.	16000
Furn. & fix - 20.000			
off eq. - 30.000			
Motor car - 40.000	120.000		
To Rent & Taxes	21000		
To Rent - 55000			
Add: o/s Rent 11000	66000		
To Salaries	1.10.000		
To Int on loan. 27000			
+ o/s Int 6000	33000		
To Disc allowed	24000		
To Bad debh. 20.000			
Less: ^{old} Prov. for DD (30.000)			
Add: New prov. 43000	33000		
To Carriage outward	20.000		
To Ins prem. 55000			
(-) Drawings (40.000)			
(-) Prepaid (3000)	12000		
To print & Stat	18000		
To electricity	22000		
To Gen off exp	30.000		
To Bank charges	16000		
To Motor charges	36000		
To Net Profit	173000		

Balance Sheet

as on 31st Mar 22

Liab	₹	Assets	₹
Cap - 1620.000		Building - 600.000	
Less: Drawings (160.000)		(-) Dep (30.000)	570.000
(120.000 + 40.000)		Cash in hand	14000
Add: Profits <u>173000</u>	1633000	Furn. & fixt - 214000	
		(-) Sold (14000)	
		(-) Dep (20.000)	180.000
		Cash at Bank	26000
		Off. Eq - 160.000	
Loan from Vishwan.	300.000	+ Purchase 40.000	
		(-) Dep (30.000)	170.000
Sundry Creditors	430.000		
o/s Rent for Godown	11000	Motor car - 200.000	
o/s Int on Loan	6000	(-) Dep (40.000)	160.000
		Closing stock	4.40.000
		Debtors - 860.000	
		(-) Prov. for DD (43000)	817000
		Prepaid Insurance	3000
	<u>2380.000</u>		<u>2380.000</u>

PQ.1

From the following particulars extracted from the books of Ganguli, prepare trading and profit and loss account and balance sheet as at 31st March, 2022 after making the necessary adjustments:

	₹	1000	₹
Ganguli's capital account (Cr.) as on 1.4.2021	5,40,500	Interest received	7,250
Stock on 1.4.2021	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return +15,000	<u>43,000</u>	Investments (at 5% ^{Int}) as on 1.4.2021	<u>25,000</u>
Purchases -10,000	12,15,500	Furniture as on 1-4-2021 +10,000	<u>9,000</u>
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 -15,000 -10,000	1,20,000	Travelling expenses	11,650
Sundry creditors -10,000	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid → <u>4,500</u>		Deposits at 10% as on 1-4-2021 (Dr.) <u>Assets</u>	→ 1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

Adjustments:

(1) Value of stock as on 31st March, 2022 is ₹ 3,93,000. This includes goods returned by customers on 31st March, 2022 to the value of ₹ 15,000 for which no entry has been passed in the books.

(2) Purchases include furniture purchased on 1st January, 2022 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:

		₹			Gr. ₹
31.3.2022	To Balance c/d	1,00,000	1.4.2021	By Balance b/d	50,000
			31.3.2022	By Bank (Add.)	50,000
		1,00,000			1,00,000

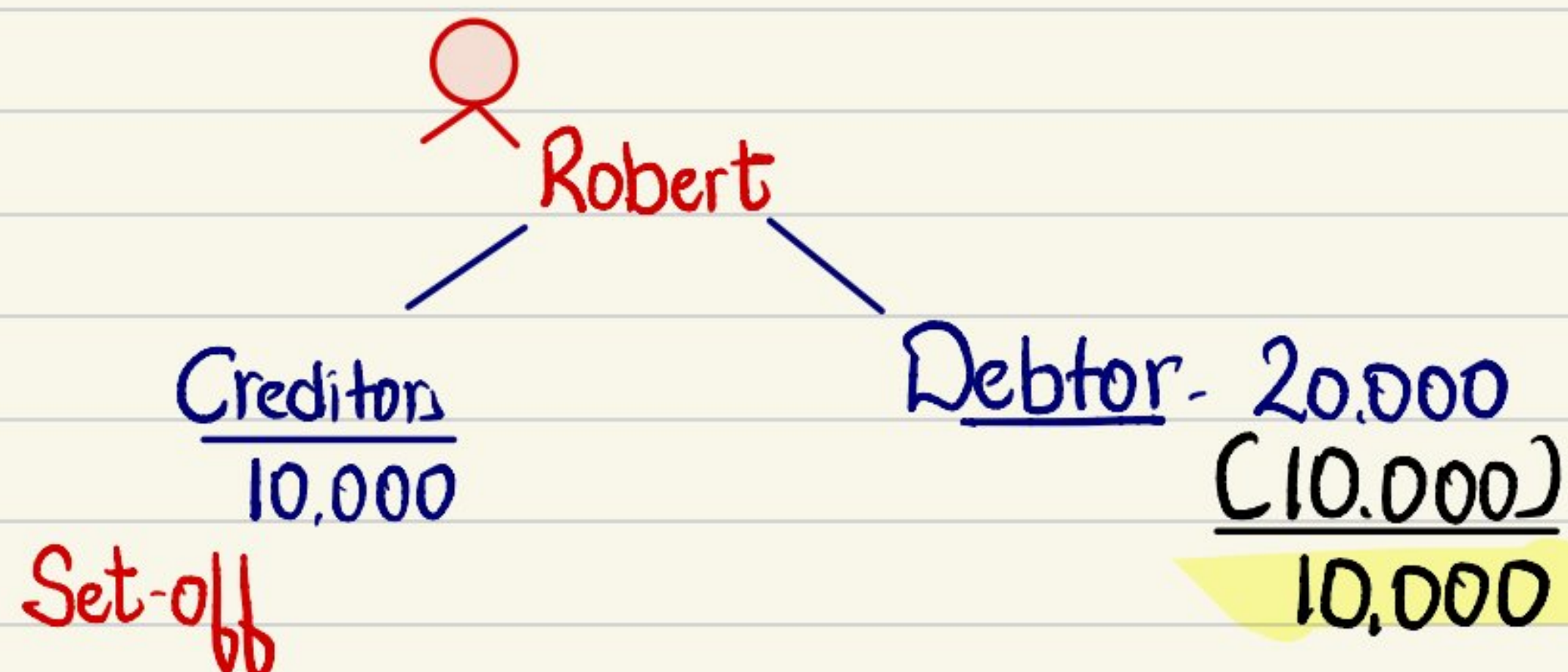
(5) Sundry debtors include ₹ 20,000 due from Robert and sundry creditors include ₹ 10,000 due to him.

(6) Interest paid include ₹ 3,000 paid to Dena bank.

(7) Interest received represents ₹ 1,000 from the sundry debtors (due to delay on their part) 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.



Trading and Profit & Loss A/c for the year ended 31st Mar, 2022

Particulars	₹	Part	₹
To purch. 1215500 (-) furn. purch. (10,000)		By Sales - Less: Sales Ret (58000) [43000 + 15000]	
		By closing stock	393000
To Dep on furn. [WN 1] To Int paid - 4500 Add: o/s Int <u>3000</u>	1150 7500	By Int Rec - 7250 Add: Accrued <u>10,000</u>	17250
To prov. for Doubtful (95000 x 5%)	4750		

Balance Sheet

as on 31st Mar, 2022

Liab	₹	Assets	₹
		Closing Stock	393000
		Sundry Debtors 120.000	
		(-) Sales Ret (15000)	
		(-) Due from Robert (10.000)	
		(-) Prov. for DD (4750)	90250
		Furniture - 9000	
		+ Purchased 10.000	
		(-) Dep (1150)	
Loan from Dena Bank	100.000		
o/s Int	3000		
Sundry Cred. 74000			
(-) Due to Robert (10.000)			
		Accrued Int	10.000

WN1 Dep on furniture

$$= 9000 \times \frac{10}{100} + 10,000 \times \frac{10}{100} \times \frac{3}{12}$$

$$= ₹1150$$

WN2 Int on Dena Bank's Loan

Includes ₹3000 Paid to Dena bank,
the balance ₹3000 is o/s.

↳ $50,000 \times \frac{12}{100} = 6000$, Int Paid

WN3 Interest Rec. 7250

(-) Rec. from Debtors (1000)

Int from Inv & Dep. 6250

Int due on Inv. - $25000 \times \frac{5}{100} = 1250$

Int due on Deposits - $150,000 \times \frac{10}{100} = 15000$

(-) Int Rec. (6250)

Accrued Int 10,000

H.W

PYQ. Dec 23

The following is the schedule of balances as on 31.03.23 extracted from the books of M/s RM & Co.

Particulars	Dr. ₹	Cr. ₹
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	
Cash at bank	39,000	
Cash in hand	21,000	
Discount allowed	36,000	
Discount received		24,000
Drawings	1,80,000	
Electricity Charges	33,000	
Freight on purchases	18,000	
Furniture & fixtures	3,21,000	
General office expenses	45,000	
Insurance Premium	82,500	
Interest on loan	35,000	
Loan		6,00,000
Printing and Stationery	27,000	
Purchase Returns		39,000
Purchases	21,30,000	
Rent for Godown	82,500	

Particulars	Dr. ₹	Cr. ₹
Salaries	1,65,000	
Sales		35,50,000
Sales Returns	63,000	
Stock on 1.4.2022	9,30,000	
Sundry Creditors		6,45,000
Sundry Debtors	12,90,000	
Vehicles	3,00,000	
Vehicles running expenses	54,000	
TOTAL	68,06,000	68,06,000

Prepare Trading and Profit & Loss Account for the year ended 31st March 2023 and the Balance Sheet as at that date after making provision for the following:

- (i) Value of stock as on 31.03.2023 is ₹ 4,10,000. This includes goods returned by customers on 31st March, 2023 to the value of ₹ 22,000 for which no entry has been passed in the books.
- (ii) Purchases include furniture purchased on 01.10.2022 for ₹ 30,000.
- (iii) Depreciate :
 - (1) Building by 5%
 - (2) Furniture and Fixtures by 10%
 - (3) Vehicles by 20%
- (iv) Sundry debtors include ₹ 35,000 due from Goku and Sundry creditors include ₹ 25,000 due to him
- (v) Provision for bad debts is to be maintained at 4% of Sundry Debtors.
- (vi) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.05.2022 to 30.4.2023.

(15 Marks)

H.W PYQ Dec 22



Date / / Page No:

Trading and Profit and Loss A/c
for the year ended 31st March 2023

Particular	Amount	Particular	Amount
To opening stock	9,30,000	By Sales	35,50,000
To Purchase 21,30,000		(-) Sales Return (85,000)	34,65,000
(-) Furniture		(63,000 + 22,000)	
Purchased (30,000)			
(-) Purchase Return (39,000)	2,06,000	By closing stock	4,10,000
To freight on Purchase	18,000		
To gross Profit c/d	86,600		
	38,75,000		38,75,000
		By gross Profit b/d	86,600
		By Discount Received	24,000
To Discount Allowed	36,000		
To Depreciation:			
- Furniture & fixtures	33,600		
- Building	45,000		
(+) - Vehicles	60,000		
	1,38,600		
To Bank charges	24,000		
To Carriage outward	30,000		
To Provision for bad debts	49,720		
To Insurance Premium	82,500		
(-) Drawings	(42,000)		
(-) Prepaid Ins. [WN-2]	3,375		
	37,125		
To electricity charges	33,000		
To general office expenses	45,000		
To Interest on loan	35,000		
To Printing & Stationery	27,000		
To Rent for godown	82,500		
To Salaries	1,65,000		
To vehicles running exp	54,000		
To Net Profit	1,33,055		
	8,90,000		8,90,000

Balance sheet

as on 31st March 2023

Liability	Amount	Assets	Amount
Capital 19,48,000		closing stock	4,10,000
(-) Drawings 2,22,000		sundry debtors 12,90,000	
(1,80,000 + 42,000)		(-) Sales Return (22,000)	
(+) Net Profit 1,33,055	18,59,055	(-) Due from goku (25,000)	
		(-) Provision for	
loan 600,000		Bad debts (49,720)	11,93,280
sundry creditors 6,45,000		Prepaid Insurance	3,375
(-) Due to goku (25,000)	6,20,000	Furniture & fixtures 3,21,000	
		(+) furniture Purchase 30,000	
		(-) Depreciation [WN-1] (33,600)	3,17,400
		Cash at Bank	39,000
		Building 9,00,000	
		(-) Depreciation (45,000)	8,55,000
		Cash in hand	21,000
		vehicles 3,00,000	
		(-) Depreciation (60,000)	2,40,000
	30,79,055		30,79,055

Working Note: 1 → Depreciation on furniture & fixtures :

$$\frac{321,000 \times 10}{100} = 32,100$$

$$\text{furniture Purchased on 1/10/22} \rightarrow \frac{30,000 \times 10}{100} \times \frac{6}{12} = 1,500$$

$$32,100 + 1,500 = 33,600$$

Working Note: 2 → Insurance Premium → 82,500

(-) Drawing 42,000

40,500

$$= \frac{40,500}{12} \times 1 = 3,375 \text{ prepaid insurance}$$

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

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

30th June, 2020 ✓	-	₹ 15,000 principal+ ₹ 9,000 interest
30th September, 2020	-	₹ 15,000 principal+ ₹ 8,550 interest
31st December, 2020	-	₹ 15,000 principal+ ₹ 8,100 interest
31st March, 2021	-	₹ 15,000 principal+ ₹ 7,650 interest.

300,000
Loan (60,000)
Int - 33,300
↓
P&L A/c

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:

60,000

- She withdrew ₹ 5,000 by cheque each month for her personal expenses.
- Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.
- Closing stock in hand as on 31st March, 2021: ₹ 5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date. (10 Marks)

Trading and P&L A/c for the year ended 31st Mar, 21

Part	₹	Part	₹
To Purchases	1700.000	by Sales	20.00.000
To Gross prof.	<u>850.000</u>	by cl. Stock	5.50.000
			<u> </u>
To Dep. build. 30.000 Furn. - <u>1000</u>	31000	by Gross profit	850.000
To Maint exp	25000		
To elec. exp. 40.000			
Add: Ols exp <u>20.000</u>	60.000		
To Int on bank loan	33300		
To Telephone ch.	50.000		
To Carr. Outward	60.000		
To Travelling exp	45000		
To entert.	5000		
To Misc exp	15000		
To Net profit	<u>525100</u>		<u> </u>

Balance Sheet as on 31st Mar 21

Liab	Amt	Assets	Amt
Capital . 300.000 Add: Additional cap 200.000 (-) Drawing (60.000) + Net prof ✓ <u>525100</u>	965100	Business premises . 600.000 (-) Dep <u>(30.000)</u> Security deposit Furniture - 10.000 (-) Dep <u>(1000)</u> Closing stock Bank	570.000 7000 9000 5.50.000 89700
Bank Loan . 300.000 (-) Repayment <u>(60.000)</u> Op's Elec exp	240.000 20.000		
	<u>1225100</u>		<u>1225100</u>

WN-1

Bank A/c

Part	₹	Part	₹
To Capital A/c	300.000	By business premises	600.000
To Bank Loan	300.000	by bank loan	60.000
To Capital A/c	200.000	by Int on bank loan	33.300
To Sales A/c	20.00.000	by Security dep	7000
		by furniture	10.000
		by purchases	1700.000
		by elec exp	40.000
		by telephone ch.	50.000
		by Carriage outward	60.000
		by travel.	45000
		by entertainment	5000
		by Maint	25000
		by Misc. exp	15000
		by Drawings	60.000
		by bal cld	<u>89100</u>
	<u> </u>		

RTP

The following are the balances as at 31st March, 2021 extracted from the books of Mr. Satender.

	₹		₹
Plant and Machinery	78,200	Bad debts recovered	1800
Furniture and Fittings	41,000	Salaries	90,200
Bank Overdraft	3,20,000	Salaries payable	9,800
Capital Account	2,60,000	Prepaid rent	1,200
Drawings	32,000	Rent	17,200
Purchases	6,40,000	Carriage inward	4,500
Opening Stock	1,29,000	Carriage outward	5,400
Wages	48,660	Sales	8,61,200
Provision for doubtful debts	12,800	Advertisement Expenses	13,400
Provision for Discount on debtors	5,500	Printing and Stationery	5,000
Sundry Debtors	4,80,000	Cash in hand	5,800
Sundry Creditors	1,90,000	Cash at bank	12,500
Bad debts	4,400	Office Expenses	40,640
		Interest paid on loan	12,000

Additional Information:

- ✓ Purchases include sales return of ₹ 10,300 and sales include purchases return of ₹ 6,900.
- ✓ Goods withdrawn by Mr. Satender for own consumption ₹ 14,000 included in purchases.
- ✓ Wages paid in the month of April for installation of plant and machinery amounting to ₹ 1,800 were included in wages account.
- ✓ Free samples distributed out of purchases for publicity costing ₹ 3,300.
- ✓ Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- ✓ Depreciation is to be provided on plant and machinery @ 20% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2021 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2021, and a Balance Sheet as on that date. Also show the rectification entries.

JOURNAL

1. a. Sales Ret A/c Dr. 10300
To purchase A/c 10300

b. Sales A/c Dr. 6900
To purch Ret 6900

2. Drawings Dr. 14000
To Purchase A/c 14000

3. Plant & Mach Dr. 1800
To wages A/c 1800

4. Adv. A/c Dr. 3300
To purchases A/c 3300

WN

Closing Stock = x $\xrightarrow{+20\%}$ 80%

$$\underline{x \times \frac{80}{100} \times \frac{80}{100}} = 320.000$$

$$\underline{x} = ₹500.000$$

Cl. Stock

Trading and Profit & Loss A/c for the year ended 31/3/20

Part	₹	Part	₹
To op stock	129000		
To Purchases - 640.000		By Sales - 861200	
(-) Sales Ret (10300)		(-) Sales Ret (10300)	
(-) Purch ret (6900)		(-) Rectification (6900)	844000
(-) Drawings (14000)			
(-) Advertise. (3300)	605500	By closing stock	500,000
To wages - 48660			
(-) Rectification (1800)	46860		
To Carr. Inward 4500			
To Gross Profit	<u>558140</u>		
To Adv - 13400		By Gross Profit	558140
Add: Samples 3300	16700		
To Int'on Loan 12000		By bad debt recovered	1800
To Bad debts - 4400			
less: Old prov. (12800)			
Add: New prov. 24000	15600		
To Salaries 90200			
To prov for disc on debt 5900			
[11400 - 5500]			
To Dep- P&M - 16000			
furn. - 4100	20100		

To printing & Stationery	5000		
To carriage outward	5400		
To office exp.	40640		
To Rent	17200		
To Net profit	<u>331200</u>		<u> </u>

Balance Sheet as on 31/3/21

Liab	₹	Assets	₹
Cap - 260,000 Less: Drawings (46,000) (32,000 + 14,000) Add: Net profit <u>33,200</u>	545,200	Plant & Mach. 78,200 + Wages 18,000 (-) Dep <u>(16,000)</u> Debtors - 480,000 (-) prov. for DD (24,000) (-) prov. for disc. <u>(11,400)</u>	64,000 444,600
Bank Overdraft	320,000	Furniture - 41,000 (-) Dep <u>4,100</u>	36,900
Creditors o/s Salary	190,000 9,800		
		Cl. stock	500,000
		Prepaid Rent	1,200
		Cash in hand	5,800
		Cash at Bank	12,500
	<u>1,065,000</u>		<u>1,065,000</u>

PQ-5

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, 2022

Particulars	₹	Particulars	₹
To Cost of Goods Sold ✓	45,00,000	By Sales	C → 100,00,000
To Gross Profit c/d ✓	D → 55,00,000		
	E → 1 cr.		E → 1 cr.
To Rent A/c	26,00,000	By Gross Profit b/d	D → 55 lac
To Office Expenses	13,00,000	By Miscellaneous Income	E ↓ 5,00,000
To Selling Expenses	B → 1,00,000		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	A → 18,00,000		
	G → 60,00,000		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.

$$\frac{1}{100} \times C = 100,000$$

$$\text{Profit before commission} \times \frac{10}{100} = 200,000$$

$$\text{Profit before comm.} = ₹ 20,00,000$$

$$\text{Profit after charging comm.} = ₹ 18,00,000$$

→ Provision → Liability for expense → Prov. for Tax

Loss in the value of Assets

Prov. for Dep

Prov. for Doubtful debts

Amt cannot be determined with accuracy.

Journal-

P&L A/c Dr.

So provision

↳ Asset ↓ / Liab ↑

→ Charge against profit

→ Reserves : Appropriation of profits, for General or Specific purpose.

Revenue

Out of business profit

Capital

Out of capital
profit

Revaluation Reserve

Security Premium Reserves

→ Provisions in excess of amt considered necessary for the purposes these were originally made, are to be considered Reserves.

→ Reserve fund : When reserve amt is Invested Outside the business in Securities, which are readily realisable.

ILLUSTRATION 13

Crimpson traders profit and loss account for the year ended 31st March, 2022 includes the following information:

	₹	
(i) Depreciation	57,500	a. Provision
(ii) Bad debts written off - loss	21,000	c. Neither
(iii) Increase in <u>provision for doubtful debts</u>	18,000	a. Provision
(iv) <u>Retained profit</u> for the year	20,000	b. Reserve
(v) <u>Liability for tax</u>	4,000	a. Provision.

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.

True and False

1. The income statement shows either net profit or net loss for a particular period. **True**
- * 2. Gains from the sale or exchange of assets are not considered as the revenue of the business. **False** ^{Income}
3. The salary paid in advance is not an expense because it neither reduces assets or nor increase liabilities. **True**
- * 4. A loss is an expenditure which does not bring any benefit to the concern. **True** ^{current}
5. All liabilities which become due for payment within the year are classified as long-term liabilities. **False**
6. The term current asset is used to designate cash and other assets or resources which are reasonably expected to be realized or sold or consumed within one year. **True**
7. An asset gives rise to expenditure when it is acquired and to an expense when it is consumed. **True**
8. If the balance of an account on the debit side of the trial balance where the benefit has already expired then it is treated as an expense. **True**
9. Sales less cost of goods sold = gross profit. **True**
10. If the debit side of the trading account exceeds its credit side then the balance is termed as gross profit. **False** ^{Loss}
11. The provision for bad debts is debited to Sundry Debtors Account. **False** ^{P&L A/c}
12. The provision for discount on creditors is often not provided in keeping with the principle of conservatism. **False** ^{Income}
13. The debts written off as bad, if recovered subsequently are credited to Debtors Account. **False** ^{Bad debt Rec A/c}
14. The adjustment entry in respect of income received in advance is debit Income received in advance account and credit income account. **False** ^{Income Dr To Inc Rec in Adv.}
15. Premium paid on the life policy of a proprietor is debited to profit and loss account. **False** ^{Drawings}
16. Depreciation account appear in the trial balance is taken only to profit and loss account. **True**
17. Personal purchases included in the purchases day book are added to the sales account in the Trading account. **False** ^{deducted from Purchase + Drawings}
18. Medicines given to the office staff by a manufacturer of medicines will be debited to salaries account. **True**
19. Goods worth ₹ 600 taken by the proprietor for personal use should be credited to Capital Account. **False** ^{debited to Drawings}
20. If Closing Stock appears in the Trial Balance, the Closing inventory is then not entered in Trading Account. It is only shown in the Balance Sheet. **True**

x — Unit over — x