

Date → 20/03/2025

Accounts

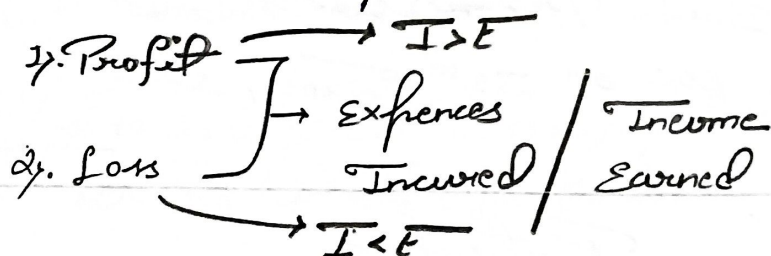
Sec = 01

Ch = 07 → Final Accounts with Adjustment ÷

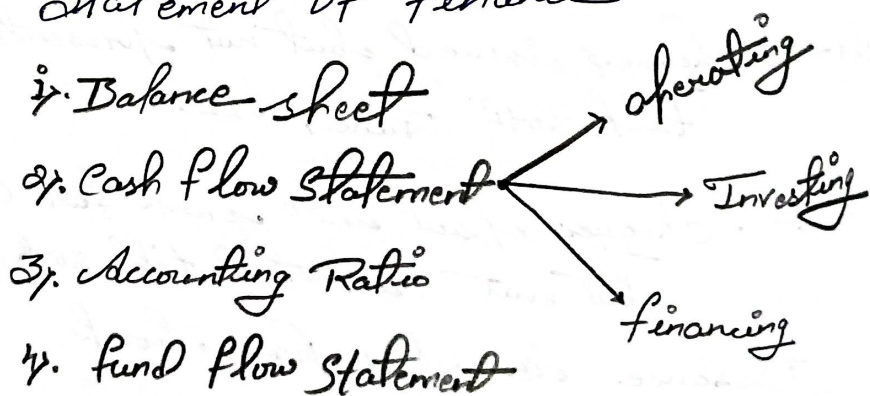
Final Accounts of Sole Proprietors



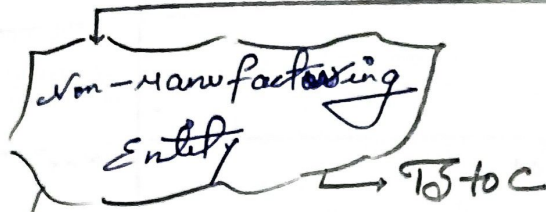
i. Performance → Result of operation



ii. Position ⇒ Statement of Finance

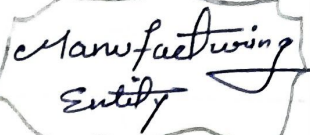


Final Accounts



→ Cost of Goods Manufacturing. X...?

- 1) Trading A/c
- 2) Profit & Loss A/c
- 3) Balance sheet



→ Cost of Goods Manufacturing

- 1) Manufacturing A/c exp & Income
- 2) Trading A/c
- 3) Profit & Loss
- 4) Balance sheet

Trading Accounts



1) Gross Profit = 4

$$A). \text{Sales} - \text{Cost of Good sold} \\ 12 - 8$$

B). Direct Income - Direct expenses

2) Cost of Good sold = 8

$$A). \text{Sales} - \text{Gross profit} \\ 12 - 4$$

B). opening stock + Purchase + Direct exp. - closing stock.

3) Gross profit in %

$$= \frac{\text{Gross profit}}{\text{Sales}} \times 100$$

Trading A/c

Particulars	Amount	Particulars	Amount
To opening stock	xxx	By Sales	xxx
To purchase	xxx	Less: Sales Return	(xx)
Less: Income return	(xx)	Goods sold on approval on return basis (selling price)	(xx)
Purchase machinery	(xx)		xxx
Loss by fire	(xx)		
Free sample	(xx)	By closing stock	xxx
	xxx	Add: Goods sold on approval on Return basis. (cost prices)	xxx
To Direct Expenses:			xxx
Carriage inward	xx		
Direct wages & salary	xx		
Octroi	xx		
	xxx		
To Gross profit c/d	xxx		
(Transfer to P&L A/c)	xxx		xxx

Date - 20/03/2025

Sec 202

Accounts

ch.07 → final accounts with adjustment

1. operating Profit = (Next page)

2. Net profit = operating profit

+ Different Source of Income

- Rent Earned
- Interest Earned
- Income from ~~the~~ Investment.
- Dividend Received.
- Profit on sale of fixed assets.

- Different Expenses

- Interest of Loan
- Loss on sale of fixed assets

net profit = xxx

1) operating Profit = Gross profit

(Business operate) + Indirect Income — Discount received
(Related with Business) • Commission Earned
• Marketable security

— Depreciation

Salary

Bank charge

Audit fees

Carriage outward

• Profit ~~loss~~ on
short term
marketable
security.

operating profit xxxx

• Profit & loss A/c

P.L. Expenses → D.H.

P.L. Income → C.H.

Particulars	Amount	Particulars	Amount
To Salary paid		By Gross profit b/d	
To Rent, Rates & Taxes		By Discount Received	
To Audit fees		By Commission Received	
To Bank charge		By interest on short term investment	
To Commission paid		By Profit on Sale of short term marketable securities.	
To Legal charge			
To Miscellaneous expenses			
To Carriage outward (Carriage on Sale)			
To Freight outward			
To Travelling Expenses			
To Depreciation			
To Office Electricity			
To Advertisement Exp.			
To Packaging charges			
To Bad debts.			
To Upkeep of Delivery Van			
To Sales Promoting Exp.			

To operating Profit c/d
 To interest of loan
 To loss on sale of fixed asset
 To net Profit
 (Before charging Commission)

To Manager's Commission
 (Net Profit $\times \frac{R}{100 + R}$)

To net Profit
 (Transfer to Capital A/c)

By operating Profit b/d
 By Real Earning
 By Interest Earning
 By Profit on sale of fixed assets
 By Income from investment

By net Profit b/d

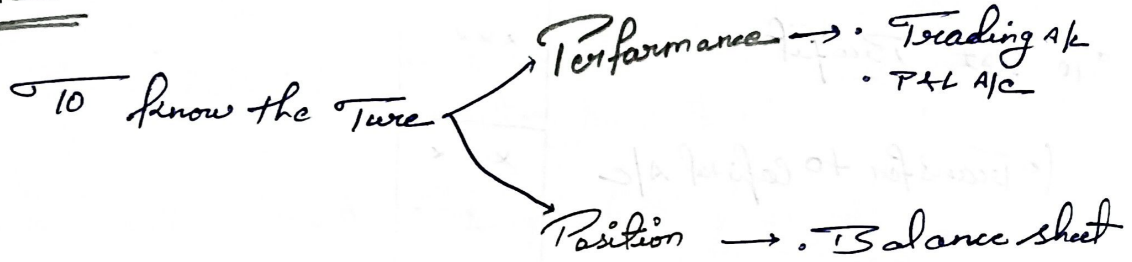
	xxx	xxx
xxx		
xxx		xxx
xxx		
xxx		

Adjustment

Adjustment is the process of adjusting those transactions

1. omitted to be recorded in Books of A/c
2. wrongly recorded in Books of A/c
3. one aspect has been recorded in books of A/c

Purpose



Treatment of Adjustments

i. Inside the Trial Balance

Record only once

1. Trading A/c (closing stock)
2. P&L A/c
3. Balance sheet (Assets)

ii. Outside the trial balance

Record in 2/3 Places (closing stock)

1. Trading A/c → Cr.
2. Balance sheet → Assets

Eg → Goods lost by fire worth ₹10,000
+ insurance Co. Admit & Pay the
claim ₹7,000.

1. Trading A/c → Dr. Purchase
- loss by fire 10,000

2. P&L A/c → Dr.

To loss by fire = 3000
(10k - 7k)

3. Balance sheet → Asset

Insurance Co. → ₹7,000

Adjustment	Adjustment - Entry	Trending A/c	Tr. A/c	Balance Sheet
1. closing stock	closing stock A/c Dr. to trading A/c	Cr.	—	Asset
2. outstanding salary	Salary Salary A/c Dr. to o/s salary	—	Dr. (+)	Liability
3. Prepaid prepaid wages	Prepaid wages A/c Dr. to wages A/c	Dr. (-)	—	Asset
4. Accrued Commission (Income earned but not Recd.)	accrued Commission A/c Dr. to Commission A/c	—	Cr. (+)	Asset
5. un-Accrued Commission (Income received in advance)	Commission A/c Dr. to unaccrued Commission (unearned)	—	Cr. (-)	Liability.

Date — 21/03/2025

accounts

Sec. 03

h.o.f. → final accounts with adjustment

	Adjustment	Adjustment - Entry	Trading A/c	P&L A/c	Balance Sheet
6.	Interest on Capital	Interest on Capital A/c Dr. TO Capital A/c	—	Dr.	Li.
7.	Interest on Drawing	Drawing A/c Dr. TO Interest on Drawing A/c	—	Cr.	Li. (-)
8.	Further bad debt	Bad debt A/c Dr. TO Sundry Debtors A/c	—	Dr.	Ass. (-)
9.	Provision for Bad debt ↳ (Liability)	P&L A/c Dr. TO Provision for bad debt	—	Dr. + Bad debt	Ass. (-)
10.	Provision for Discount on Debtors.	P&L A/c Dr. TO Provision for dis. bad debts	—	Dr. + Bad debts	Ass. (-)
11.	Goods sent on Approval on return basis. 1. Cost Price — 1200 2. Selling Price — 1500	1. Sales A/c Dr. ¹⁵⁰⁰ TO Debtors A/c ¹⁵⁰⁰ 2. Closing stock A/c Dr. 1200 TO Trading A/c 1200	1. Cr. → Sales -1500 2. Cr. → Cls +1200		Assets Debtors -1500 - Cl. stock +1200
12.	Goods lost by fire & Insurance Co. admit Partial claim. → 5,000	1. P&L A/c Dr. 7,000 TO Purchase A/c 7,000 2. Insurance A/c Dr. 5,000 P&L A/c Dr. 2,000 TO Purchase — 7,000	Dr. = Pur. -7,000	Dr. Loss by fire -2000	Assets 5,000
13.	Good sold but omitted to be recorded	Debtors A/c Dr. TO Sale	Cr. Sales (+)	—	Assets + Debtors
14.	Manager Commission	Manager Commission A/c Dr. TO o/s manager commission	—	Dr.	Liability

↖ Trial balance

	Dr.	Cr.
Bad debts	3,000	—
Debtors (including 1/2 x for Dishonoured of Bill ₹ 1,000)	6,000	—

Adjustment :-

1. Half of x Bill is irrecoverable
2. Create a Provision of 5% on Debtors

Profit & Loss A/c

To Bad debts	3,000		
+ further Bad debt ($\times$ B/D 1,000 $\times \frac{1}{2}$)	500		
+ New Provision	2950		
(60,000 - 1,000) $\times$ 5%	<u>2950</u>	6,450	

Balance sheet

		Debtors	60,000
		- further bad debts	-500
		- New Provision	-2950
			<u>56,550</u>

Date → 21/05/2025

Accounts

Sec-04

ch07 → Final accounts with adjustment

Approach-1

Trading A/c
↓
Gross Profit c/d
↓
Profit & Loss A/c
↓
Net Profit c/d
↓
Balance sheet
↓
Tally
Capital + Liability = Assets

Approach-2

Trading A/c → Show Related Heads

TO Gross Profit ☐ ☐

Profit & Loss A/c → Show Related Heads
↓
Net Profit | By Gross Profit (-)

Balance sheet → Compare
Assets - Liability

Liability		Assets	
Capital	0	Assets	↓
+ → Net Profit			
Liability	0		