

Chapter 6 - Final Accounts

PYQ SEP 2024

Question : The following Trial Balance is the Trial Balance of a Proprietor as on March 31, 2024. Prepare Trading and Profit & Loss Account for the year ending March 31, 2024, and a Balance Sheet as at that date.

Particulars	Amt.	Particulars	Amt.
Plant and Machinery	5,00,000	Capital	4,00,000
Office Furniture	26,000	Sundry Creditors	5,20,000
Opening Stock	4,80,000	Sales	48,00,000
Motor Van	1,20,000	Bills Payable	56,000
Sundry Debtors	4,57,000	Provision for Doubtful Debts	25,000
Cash in hand	4,000	Return Outwards	55,000
Cash at Bank	65,000	Discount Received	37,000
Wages	15,00,000		
Salaries	1,40,000		
Purchases	21,35,000		
Bills Receivable	72,000		
Return Inwards	93,000		
Drawings	70,000		
Advertisements	60,000		
Factory Rent	8,000		
Insurance	63,000		
General Expenses	10,000		
Bad debts	25,000		
Discount allowed	65,000		
Total	58,93,000	Total	58,93,000

Additional Information to be considered:

- Closing Stock on March 31, 2024, is Rs. 5,20,000.
- During the year, Plant and Machinery was purchased for Rs. 3,00,000 but it was debited to Purchase Account.
- 3 months factory rent is due but not paid Rs. 3,000.
- Provide depreciation at 5% per annum on furniture and 10% on plant and machinery and motor van.
- Further bad debts Rs.7,000.
- Provision for doubtful debts to be increased to Rs.30,000 at year-end.
- Provision for discount on Debtors to be made at 2%.

Solution:

Trading Account for the year ended 31st March, 2024

Particulars	Amt.	Particulars	Amt.
To Opening Stock	4,80,000	By Sales	48,00,000
To Purchases	21,35,000	Less: Return Inwards	(93,000)
Less: Plant and Machinery (wrongly debited)	(3,00,000)	Net Sales	47,07,000
Less: Return Outwards	(55,000)	By Closing Stock	5,20,000
Adjusted Purchases	17,80,000		
To Wages	15,00,000		
To Factory Rent	8,000		
Add: Outstanding Factory Rent	3,000		
Adjusted Factory Rent	11,000		
To Gross Profit c/d	14,56,000		
Total	52,27,000	Total	52,27,000

Profit and Loss Account for the year ended 31st March, 2024

Particulars	Amt.	Particulars	Amt.
To Salaries	1,40,000	By Gross Profit b/d	14,56,000
To Advertisements	60,000	By Discount Received	37,000
To Insurance	63,000		
To General Expenses	10,000		
To Discount Allowed	65,000		
To Provision for Doubtful Debts (W.N.1)	37,000		
To Provision for Discount on Debtors (W.N.2)	8,400		
To Depreciation (W.N.3)	93,300		
To Net Profit transferred to Capital A/c	10,16,300		
Total	14,93,000	Total	14,93,000

Balance Sheet as at 31st March, 2024

Liabilities	Amt.	Assets	Amt.
Capital	4,00,000	Plant and Machinery	5,00,000
Add: Net Profit	10,16,300	Add: Additions	3,00,000
Less: Drawings	(70,000)	Less: Depreciation (W.N.3)	(80,000)
Adjusted Capital	13,46,300	Adjusted Value	7,20,000
Bills Payable	56,000	Office Furniture	26,000
Sundry Creditors	5,20,000	Less: Depreciation (W.N.3)	(1,300)
Outstanding Factory Rent	3,000	Net Furniture Value	24,700
Sundry Debtors	4,57,000	Motor Vans	1,20,000
Less: Further Bad Debts	(7,000)	Less: Depreciation (W.N.3)	(12,000)
Less: New Provision for Doubtful Debts	(30,000)	Net Motor Van Value	1,08,000
Less: Provision for Discount on Debtors (W.N.2)	(8,400)	Net Debtors Value	4,11,600
Cash at Hand	4,000		
Cash at Bank	65,000		
Total	19,25,300	Total	19,25,300

Working Notes

1. Provision for Bad and Doubtful Debts Account

Particulars	Amt.	Particulars	Amt.
To Bad Debts (as per Trial Balance)	25,000	By Balance b/d (as per Trial Balance)	25,000
To Sundry Debtors (Further Bad Debts)	7,000	By P&L A/c (Balancing figure)	37,000
To Balance c/d (Provision at Year-End)	30,000		
Total	62,000	Total	62,000

2. Provision for Discount on Debtors

Debtors before discount = Rs. 4,20,000 (after adjusting bad debts & provision)

Provision for Discount on Debtors @ 2% = **Rs. 8,400**

3. Depreciation Calculation

Asset	Rate	Amt.
Plant & Machinery (10% on 8,00,000)	10%	80,000
Motor Van (10% on 1,20,000)	10%	12,000
Office Furniture (5% on 26,000)	5%	1,300
Total Depreciation		93,300

PYQ JUNE 2024

Question: Mr. Prakash runs a factory which produces Pressure Cookers. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024:

Particulars	Amount (₹)
Opening Work-in-Progress	6,25,000
Closing Work-in-Progress	7,15,000
Opening Inventory of Raw Material	5,85,000
Closing Inventory of Raw Material	4,70,000
Purchases	18,74,000
Purchase Returns	95,000
Indirect Material	1,88,000
Direct Wages	3,97,000
Indirect Wages	82,000
Power & Electricity	1,76,000
Repairs and Maintenance	2,65,000
Depreciation on Factory Shed	1,44,000
Depreciation on Plant & Machinery	1,62,000
Sale of Scrap	36,000

You are required to prepare the Manufacturing Account for the year ended 31st March 2024.

Solution:

In the Books of Mr. Prakash
Manufacturing Account for the year ended on March 31, 2024

Particulars	Amt .	Particulars	Amt .
To Opening Work-in-Progress	6,25,000	By Closing Work-in-Progress	7,15,000
To Raw Material Consumed:		By Sale of Scrap	36,000
- Opening Inventory	5,85,000	By Trading A/c - Cost of Finished Goods Transferred	31,82,000
- Add: Purchases	18,74,000		
- Less: Purchase Returns	(95,000)		
Net Raw Material Used	23,64,000		
- Less: Closing Inventory	(4,70,000)		
Total Raw Material Consumed	18,94,000		
To Direct Wages	3,97,000		
To Manufacturing Overhead:			
- Power & Electricity	1,76,000		
- Indirect Wages	82,000		
- Indirect Materials	1,88,000		
- Repairs & Maintenance	2,65,000		
- Depreciation on Factory Shed	1,44,000		
- Depreciation on Plant & Machinery	1,62,000		
Total Manufacturing Overhead	10,17,000		
Total Cost of Production	39,33,000	Total	39,33,000

PYQ DEC 2023

Question: The following is the schedule of balances as on 31.03.2023 extracted from the books of M/s RM & Co.

Particulars	Dr. Amt.	Cr. Amt.
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	
Cash at bank	39,000	
Cash at 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	
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

You are required to prepare the 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:

1. 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.
2. Purchases include furniture purchased on 01.10.2022 for ₹30,000.
3. Depreciate:
 - Building by 5%
 - Furniture and Fixtures by 10%
 - Vehicles by 20%
4. Sundry debtors include ₹35,000 due from Goku, and sundry creditors include ₹25,000 due to him.
5. Provision for bad debts is to be maintained at 4% of Sundry Debtors.
6. Insurance premium includes ₹42,000 paid towards the proprietor's life insurance policy, and the balance of the insurance charges covers the period from 1.05.2022 to 30.04.2023.

Solution:

M/s RM & Co.

Trading Account for the year ended 31st March 2023

Particulars	Amt.	Particulars	Amt.
To Opening Stock	9,30,000	By Sales	35,50,000
To Purchases	21,30,000	Less: Sales Returns	(85,000)
Less: Furniture included in Purchases	(30,000)	Net Sales	34,65,000
Less: Purchase Returns	(39,000)	By Closing Stock	4,10,000
Net Purchases	20,61,000		
To Freight on Purchases	18,000		
To Gross Profit c/d	8,66,000		
Total	38,75,000	Total	38,75,000

Profit & Loss Account for the year ended 31st March 2023

Particulars	Amt.	Particulars	Amt.
To Salaries	1,65,000	By Gross Profit b/d	8,66,000
To Rent for Godown	82,500	By Discount Received	24,000
To Provision for Doubtful Debts (WN 3)	49,720		
To Discount Allowed	36,000		
To Carriage Outwards	30,000		
To Printing and Stationery	27,000		
To Electricity Charges	33,000		
To Insurance Premium (WN 1)	37,125		
To Depreciation (WN 2)	1,38,600		
To General Office Expenses	45,000		
To Bank Charges	24,000		
To Interest on Loan	35,000		
To Vehicle Running Expenses	54,000		
To Net Profit transferred to Capital A/c	1,33,055		
Total	8,90,000	Total	8,90,000

Balance Sheet of M/s RM & Co. as at 31st March 2023

Liabilities	Amt.	Assets	Amt.
Capital	19,48,000	Building	9,00,000
Add: Net Profit	1,33,055	Less: Depreciation (5%)	(45,000)
Less: Drawings	(1,80,000)	Net Value of Building	8,55,000
Less: Insurance Premium	(42,000)	Vehicles	3,00,000
Adjusted Capital	18,59,055	Less: Depreciation (20%)	(60,000)
Loan	6,00,000	Net Value of Vehicles	2,40,000
Sundry Creditors	6,45,000	Furniture & Fixtures	3,21,000
Less: Due to Goku	(25,000)	Add: Addition	30,000
Adjusted Creditors	6,20,000	Less: Depreciation (10%)	(33,600)
		Net Value of Furniture & Fixtures	3,17,400

		Stock in Trade	4,10,000
		Sundry Debtors (WN 3)	12,43,000
		Less: Provision for Bad Debts (4%)	(49,720)
		Net Sundry Debtors	11,93,280
		Cash at Hand	21,000
		Cash at Bank	39,000
		Prepaid Insurance (WN 1)	3,375
Total	30,79,055	Total	30,79,055

Working Notes

1. Insurance Premium Adjustment

- Given Insurance Premium: ₹ 82,500
- Less: Personal Premium: ₹ 42,000
- Less: Prepaid for 1 month: $42,000 \times \frac{1}{12} \times 1 = ₹ 3,375$
- **Transfer to P&L A/c: ₹ 37,125**

2. Depreciation Calculation

- Building: ₹ 9,00,000 × 5% = ₹ 45,000
- Vehicle: ₹ 3,00,000 × 20% = ₹ 60,000
- Furniture: ₹ 3,21,000 × 10% + ₹ 30,000 × 10% × 1/2 = ₹ 33,600
- **Total Depreciation: ₹ 1,38,600**

3. Provision for Bad Debts

- Adjusted Debtors: ₹ 12,43,000
 - Provision (4%): ₹ 49,720
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PYQ MAY 2022

Question: The following is the trial balance of Mr. B for the year ended 31st March 2021:

Particulars	Dr. Amt.	Particulars	Cr. Amt.
Opening Stock: Raw Material	5,25,000	Sundry Creditors	1,75,000
Opening Stock: Finished Goods	2,62,500	Purchase Return	17,500
Purchase of Raw Material	17,50,000	Capital	3,50,000
Land & Building	3,50,000	Bills Payable	84,000
Loose Tools	1,05,000	Long-Term Loan	7,00,000
Plant & Machinery	1,05,000	Provision for Bad & Doubtful Debts	7,000
Investments	87,500	Sales	29,75,000
Cash in Hand	70,000	Bank Overdraft	80,500
Cash at Bank	17,500		
Furniture & Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal & Fuel	52,500		
Factory Rent & Rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest Paid	24,500		
Discount Allowed	10,500		
Carriage Inwards	52,500		
Carriage Outwards	24,500		
Commission Paid	17,500		

Dividend Paid	14,000		
Total	43,89,000		43,89,000

Additional Information:

- (i) Stock of finished goods at the end of the year was 3,50,000.
- (ii) A provision for doubtful debts is to be created @ 5% on Sundry Debtors. Provide depreciation on Building 3,500 and Plant & Machinery 10,500.
- (iii) Accrued commission is 43,750. Interest has accrued on investment 52,500.
- (iv) Salary Outstanding is 7,000 and Prepaid Interest is 5,250.

You are required to prepare **Manufacturing, Trading, and Profit & Loss Account for the year ended 31st March, 2021**, and **Balance Sheet as at that date**.
(20 Marks)

Solution: Manufacturing Account for the year ended 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Opening Stock of Raw Materials	5,25,000	By Cost of Manufactured Goods transferred to Trading A/c	28,28,000
To Purchases	17,50,000		
Less: Purchase Return	(17,500)		
To Carriage Inwards	52,500		
To Direct Wages	2,80,000		
To Power	1,05,000		
To Coal & Fuel	52,500		
To Factory Rent & Rates	70,000		
To Depreciation on Machinery	10,500		
Total	28,28,000	Total	28,28,000

Trading Account for the year ended 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Opening Stock of Finished Goods	2,62,500	By Sales	29,75,000
To Cost of Goods transferred from Manufacturing A/c	28,28,000	Less: Sales Return	(35,000)
		By Closing Stock	3,50,000
To Gross Profit c/d	1,99,500		
Total	32,90,000	Total	32,90,000

Profit and Loss Account for the year ended 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Carriage Outward	24,500	By Gross Profit b/d	1,99,500
To Discount Allowed	10,500	By Accrued Commission	43,750
To Commission Paid	17,500	By Accrued Interest	52,500
To Dividend Paid	14,000		
To General Expenses	14,000		
To Advertisement	17,500		
To Salaries	70,000		
Add: Outstanding	7,000		
To Interest Paid	24,500		
Less: Prepaid	(5,250)		
To Provision for Bad & Doubtful Debts	7,000		
Add: Bad Debts	14,000		
Less: Old Provision	(7,000)		
To Depreciation on Building	3,500		
To Net Profit c/d	84,000		
Total	2,95,750	Total	2,95,750

Balance Sheet as on 31st March, 2021

Liabilities	Amt.	Assets	Amt.
Capital	3,50,000	Plant & Machinery	1,05,000
Add: Net Profit	84,000	Less: Depreciation	(10,500)
	4,34,000		94,500
Less: Drawings	(70,000)	Land & Building	3,50,000
	3,64,000	Less: Depreciation	(3,500)
Bills Payable	84,000		3,46,500
Sundry Creditors	1,75,000	Furniture & Fixtures	52,500
Salary Outstanding	7,000	Investments	87,500
Long-Term Loans	7,00,000	Closing Stock	3,50,000

Bank Overdraft	80,500	Loose Tools	1,05,000
		Sundry Debtors	1,40,000
		Less: Provision for Doubtful Debts	(7,000)
			1,33,000
		Bills Receivable	52,500
		Accrued Commission	43,750
		Accrued Interest	52,500
		Prepaid Interest	5,250
		Cash in Hand	70,000
		Cash at Bank	17,500
Total	14,10,500	Total	14,10,500

PYQ December 2021

Question: On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Dr. Amt.	Particulars	Cr. Amt.
Stock on 1/4/2020		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of Scrap	25,000
Finished Goods	1,55,000	Commission Received	4,500
Sundry Debtors	2,40,000	Provision for Doubtful Debts	16,500
Carriage on Purchase	15,000	Capital Account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank Overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to Office Furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		

Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
Total	30,28,000	Total	30,28,000

Additional Information:

- Stocks on 31st March 2021:
 - Raw Material: 1,62,000
 - Finished Goods: 1,81,000
 - Work-in-Progress: 78,000
- Salaries and wages unpaid for the year ended 31st March, 2021 were respectively, 9,000 and 20,000.
- Machinery is to be depreciated by 10% and office furniture by 7½%.
- A provision for doubtful debts is to be maintained @1% of sales.
- Rent is to be charged as 3/4 to factory and 1/4 to office.
- Lighting is to be charged as 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account, and Profit and Loss Account for the year ended on 31st March 2021.

Solution:

In the books of Mr. Black
Manufacturing Account for the year ended 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Opening Stock of Raw Materials	2,10,000	By Closing Stock of Work in Progress	78,000
Add: Purchases	8,50,000	By Sale of Scrap	25,000
Less: Closing Stock	1,62,000	By Cost of Goods Manufactured (Transferred to Trading Account)	11,90,000
Raw Material Consumed	8,98,000		
To Opening Stock of WIP	95,000		
To Wages	1,30,000		
Add: Outstanding Wages	20,000		
Total Wages	1,50,000		
To Carriage on Purchases	15,000		

To Repairs to Plant	11,000		
To Rent (3/4)	45,000		
To Lighting (2/3)	9,000		
To Depreciation of Plant	70,000		
Total	12,93,000	Total	12,93,000

Trading Account for the year ended 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Opening Stock of Finished Goods	1,55,000	By Sales	16,72,000
To Cost of Goods Transferred from Manufacturing A/c	11,90,000	By Closing Stock	1,81,000
To Gross Profit c/d	5,08,000		
Total	18,53,000	Total	18,53,000

Profit and Loss Account for the year ended 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Salaries	1,00,000	By Gross Profit b/d	5,08,000
Add: Outstanding Salaries	9,000	By Commission Received	4,500
Total Salaries	1,09,000		
To Telephone & Postage	10,000		
To Repairs to Furniture	3,500		
To Depreciation of Furniture	7,500		
To Rent (1/4)	15,000		
To Lighting (1/3)	4,500		
To General Expenses	15,000		
To Provision for Doubtful Debts: Required (1% of 1,67,200)	16,720		
Less: Existing Provision	16,500		
Net Provision	220		
To Net Profit	3,47,780		

Total	5,12,500	Total	5,12,500
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PYQ NOV 2020

Question: Following are the Manufacturing A/c, Creditors A/c, and Raw Material A/c provided by M/s. Shivam related to the financial year 2019-20. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amt.	Particulars	Amt.
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	-
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amt.	Particulars	Amt.
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000	-	-

Manufacturing A/c

Particulars	Amt.	Particulars	Amt.
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000	-	-
To Depreciation	2,15,000	-	-
To Direct Expenses	2,49,000	-	-

Additional Information:

- Purchase of machinery worth Rs. 12,00,000 on 1st April 2019 has been omitted. Machinery is chargeable at a depreciation rate of **15%**.
- Wages include the following:
 - Paid to factory workers: Rs. 3,15,000
 - Paid to labor at the office: Rs. 50,000
- Direct expenses included the following:
 - Electricity charges: Rs. 80,000, of which **25%** pertained to the office
 - Fuel charges: Rs. 25,000
 - Freight inwards: Rs. 32,000
 - Delivery charges to customers: Rs. 22,000

You are required to prepare the **revised Manufacturing A/c and Raw Material A/c**.

Solution:

Manufacturing A/c

Particulars	Amt.	Particulars	Amt.
To Raw Material Consumed (Balancing Figure)	9,15,000	By Trading A/c (W.N. 4)	18,32,000
To Wages (W.N. 2)	3,15,000	-	-
To Depreciation (W.N. 1)	3,95,000	-	-
To Direct Expenses (W.N. 3)	2,07,000	-	-
Total	18,32,000	Total	18,32,000

Raw Material A/c

Particulars	Amt.	Particulars	Amt.
To Opening Stock A/c	1,27,000	By Raw Material Consumed (from Manufacturing A/c above)	9,15,000
To Creditors A/c (W.N. 5)	14,40,000	By Closing Stock A/c (Balancing Figure)	6,52,000
Total	15,67,000	Total	15,67,000

Working Notes:

Depreciation on Machinery:

Since the purchase of machinery worth Rs. 12,00,000 has been omitted:

Depreciation omitted = $12,00,000 \times 15\% = 1,80,000$

Correct total depreciation expense = $(2,15,000 + 1,80,000) = 3,95,000$

Wages Adjustment:

Wages worth Rs. 50,000 related to office work should be excluded from the Manufacturing A/c and charged to the P&L A/c.

Revised Wages to be shown in Manufacturing A/c = Rs. 3,15,000

Adjustment for Direct Expenses:

Expenses to be excluded from direct expenses:

- Office Electricity Charges = $80,000 \times 25\% = 20,000$
- Delivery Charges to Customers = 22,000
- **Total Excluded Expenses** = Rs. 42,000
Revised Direct Expenses = $(2,49,000 - 42,000) = 2,07,000$

Fuel charges and Freight inwards are **included** in direct expenses as they are related to factory work.

Revised Balance Transferred to Trading A/c:

Particulars	Amt.
Current Balance transferred	17,44,000
Add: Depreciation not recorded earlier	1,80,000
Less: Wages related to Office	(50,000)
Less: Office Expenses	(42,000)
Revised Balance transferred	18,32,000

Creditors A/c

Particulars	Amt.	Particulars	Amt.
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000	By Raw Materials A/c (Balancing Figure)	14,40,000
Total	30,10,000	Total	30,10,000