FINAL ACCOUNTS SOLUTION

Format of Trading Account

(Trading Account) for the Year Ended...

Particulars		**Amount**	**Particulars**		**Amount**
		Rs.			**Rs.**
Opening Stock		------	Sales	---------	
Purchases	------		***Less:*** Returns Inwards		-------
Less: Returns Outwards	------	------	Or, Sales Returns	-------	-------
Wages		------	Closing Stock		-------
Wages and Salaries		------	Gross Loss		-------
Carriage Inwards		------	(transferred to Profit & Loss Account)		
Freight Inwards		------			
Gas & Fuel		------			
Power & Water		------			
Factory Rent & Rates		------			
Manufacturing Expenses		------			
Dock and Clearing Expenses		------			
Import and Customs Duty		------			
Royalties		------			
Packaging Expenses		------			
Gross Profit (Transferred to Profit & Loss Account)		------			
	------			------	

(Pro-forma) Profit and Loss Account

For the Year Ended on (Closing Date Of The Accounting Period)

Dr.	**Rs.**	**Cr.**	**Rs.**
Trading Account (For gross Loss)		Trading Account Either of (Gross Profit)	
Rent and Rates			
Lighting and Heating		Incidental Income or Gains	
Office Salaries		Rebate	
Office Salaries and Wages		Cash Discount Received	
Office Insurance		Commission Received	
Sundry Expenses or		Bank Interest Received	
General Expenses		Interest or Income on	
Printing and Stationery		Investments	
Repairs and Renewals		Rent Received	

Telephone
Accountancy Fees
Legal Charges
Audit Fees
Staff Bonuses
Bank Charges and Commission
Interest Paid (on mortgage loan, or bank loan or on capital)
Premium on Lease Commission
Motor Expenses
Advertising
Traveller's Salaries and Commission
Sales Room Expenses
Cash Discount Allowed
Bad Debts
Free Samples
Loss on Sale of Fixed Assets
Brokerage
Carriage Outward
Warehouse Expenses
Warehouse Rent
Warehouse Insurance
Delivery Van Expenses
Packing Expenses
Depreciation on Different Assets
Provision or Reserve for Bad and Doubtful Debts; Provision or Reserve for Discount on Debtors; Any other provisions for Expenses e.g.,
Loss by fire
Interest on loan; Cos of discounting the bill
Capital Account for gross loss
(Transfer of net profit if, any)

Gain on the Sale of Fixed Assets Investments etc.
Bad Debts Recovered
Special Bonuses Received from Suppliers
Provision or Reserve for Discount on Creditors
Capital Account
Either of the two
(Transfer of net loss if any)

SUMMARY TABLE OF ADJUSTMENTS

S. No.	Name of the item	Adjustment Entry		Treatment in Trading and Profit & Loss Account	Treatment in Balance Sheet
1.	**Closing Stock**	Closing Stock To Trading A/c	Dr.	Show on **Credit side** of Trading Account.	Show as **current asset**.
2.	**Depreciation on Fixed Assets**	Depreciation A/c To Fixed Assets	Dr.	Show on **Debit Side** of Profit & Loss Account.	Deduct from **Fixed Assets** individually.
3.	**Outstanding Expenses**	Expenses Account To Outstanding Expenses A/c	Dr.	In Trading/Profit & Loss A/c add to the particular expense on the **debit side**.	Show as a **current liability.**
4.	**Accrued Income**	Accrued Income To Income A/c	Dr.	Add to specific income on the **credit** side of Profit & Loss A/c	Show as a **current asset.**
5.	**Prepaid Expenses**	Prepaid Expenses To Expenses A/c	Dr.	Deduct from the particular expense on **debit side** either in Trading Account or Profit & Loss Account as the may be.	Show as a **current assets**.
6.	**Unearned Income or (Income received in advance)**	Income A/c To Unearned Income	Dr.	In Profit & Loss Account from the relevant income on the **credit side**.	Show as **current liability.**
7.	**Bad Debts (Additional)**	Bad Debts A/c To Debtors	Dr.	Show in Profit & Loss A/c on the **debit side**.	Deduct from the **Debtors** on the Assets side.
8.	**Provision for Doubtful Debts**	Profit & Loss A/c To Provision for Doubtful Debts **additional Bad Debts.**	Dr.	Show on the **debit side** of Profit & Loss Account **after deducting**	Deduct from **Debtors** on the assets side,
9.	**Provision for Discount on**	Profit & Loss A/c To Provision for Doubtful Debts	Dr.	Show on the **Debit side** of Profit & Loss Account. Doubtful Debts.	Deduct from Debtors **after deducting** additional Bad Debts and Provision for
10.	**Interest on Capital**	Int. on Capital A/c To Capital A/c	Dr.	Show on the debit side of Profit & Loss Account.	Add to Capital A/c on the Liabilities side.
11.	**Interest on Drawings**	Capital A/c To Interest on Drawings A/c	Dr.	Show on the credit side of Profit & Loss Account.	Deduct from the **Capital on** the Liabilities.
12.	Commission on Profit	Manager's To Manager's Commission A/c	Profit & Loss A/c	Dr. Profit & Loss Account.	Show on the debit side of Show as a Current Liability.

10. From the following particulars prepare a trading and profit and loss account :

Opening Stock Rs. 1,50,000; Purchases Rs. 4,50,000; Salaries Rs. 50,000; Other expenses Rs. 20,000; Sales Rs. 6,00,000.

Closing stock could not be ascertained but it is known that goods are sold at cost plus 50 per cent. The manager of the business is entitled to a commission of 5 per cent on net profits after charging such commission.

SOLUTION :

Trading Account

	Rs.		Rs.
Opening Stock	1,50,000	Sales	6,00,000
Purchases		Stock at the end	2,00,000
Profit and Loss Account **(Gross Profit)**	4,50,000	**(Balancing Figure)**	
	2,00,000		
	8,00,000		8,00,000

Profit and Loss Account

	Rs.		Rs.
Salaries	50,000		
Other expenses	20,000	Trading Account	2,00,000
Manager's commission	6,190	**(Gross Profit)**	
Net Profit	1,23,810		
	2,00,000		2,00,000

32. A trader maintained Provision for Doubtful debts @ 5%, a Provision for Discount @ 2% on debtors and Reserve for discount @ 2% on creditors which on 1 January 1993 stood at Rs. 1,500, Rs. 500 and Rs. 400 respectively.

His balances on 31-12-1993 and on 31-12-1994 were :

	31-12-1993	31-12-1994
	Rs.	Rs.
Bad debts written off	1,800	300
Discount allowed	600	200

Sundry Debtors	20,000	6,000
Discount received	300	50
Sundry Creditors	15,000	10,000

Show necessary accounts in the Ledger.

SOLUTION :

Bad Debts Account

	Rs.		Rs.
31.12.1993 Sundry Debtors	1,800	**31.12.1993** Pro. for Doubtful Debts	1,800
31-12-1994 Sundry Debtors	300	**31-12-1994** Pro. for Doubtful Debts	300

Provision for Doubtful Debts

	Rs.		Rs.	
31.12.1993		**1-1-1993**		
Bad Debts Account	1,800	Balance b/d	1,500	
Balance c/d **(5% on Rs. 20,000)**			1,000	**31-12-1993**
		Profit and Loss Account **(Balancing Figure)**	1,300	
	2,800		2,800	
31-12-1994		**1-1-1994**		
Bad Debts Account	300	Balance b/d	1,000	
Profit and Loss Account	400			
Balance c/d **(5% on Rs. 6,000)**			300	
	1,000		1,000	

Discount Allowed Account

	Rs.		Rs.
31-12-1993		**31-12-1993**	
Sundry Debtors	600	Provision for Discount on Debtors	600
31-12-1994		**31-12-1994**	
Sundry Debtors	200	Provision for Discount on Debtors	200

Provision for Discount on Debtors

	Rs.		Rs.
31-12-1993		**31-12-1993**	

Discount Allowed Account	600	Balance b/d	500	
Balance c/d	380	Profit and Loss Account	480	
[2% on Rs. 19,900 (20,000-100)]				
	980		980	
31-12-1994		**31-12-1994**		
Discount Allowed	200	Balanced b/d	380	
Profit and Loss Account	66			
Balance c/d	114			
[2% on 5,700 (6,000–300)]	380			380
		1-1-1995 Balance b/d	114	

Discount Received Account

	Rs.		Rs.	
31-12-1993		**31-12-1993**		
Reserve for Discount on Creditors	300	Sundry Creditors	300	
31-12-1994				
Reserve for Discount on Creditors	50	**31-12-1994** Sundry Creditors	50	

Reserve for Discount on Creditors

	Rs.		Rs.	
1-1-1993		**31-12-1993**		
Balance b/d	400	Discount Received	300	
31-12-1993		Balance c/d (2% on Rs. 15,000)	300	
Profit and Loss Account	200			
	600		600	
1-1-1994		**31-12-1994**		
Balance b/d	300	Discount Received	50	
		Profit and Loss Account	50	
		Balance c/d **(2% on Rs. 10,000)**		200
	300		300	
1-1-1995				
Balance b/d	200			

Profit and Loss Account for The Year Ending On 31-12-1993

	Rs.			Rs.
Provision for Doubtful Debts Account		1,300	Discount Received	300	
Discount Allowed	600		***Add :*** Reserve for discount on Creditors	300	
Add : Provision for Discount on Debtors	380			600	
	980		***Less :*** Old Reserve	400	200
Less : Old Provision	500	480			

Profit And Loss Account For the Year Ending On 31-12-1994

	Rs.		Rs.
Provision for Discount on Creditors		50	Provision for Doubtful Debts	400
			Provision for Discount on Debtors	66

No.	Particulars	Debit Rs.	Credit Rs.
(1)	Capital	–	16,000
(2)	Opening stock	17,500	–
(3)	Drawings	3,305	–
(4)	Returns inward	550	–
(5)	Deposit with X	1,400	–
(6)	Return outward	–	840
(7)	Carriage inward	1240	–
(8)	Carriage outward	725	–
(9)	Rent	800	–
(10)	Rent outstanding	–	150
(11)	Purchases	13,000	–
(12)	Sundry debtors	5,000	–
(13)	Sundry creditors	–	4,000
(14)	Furniture	1,500	–
(15)	Sales	–	29,000
(16)	Wages	850	–
(17)	Cash	1,370	–
(18)	Goodwill	1,800	–
(19)	Advertisement	950	–
		49,990	49,990

Trading and Profit and Loss Account
for the year ending 31 December 2007

		Rs.			Rs.
Opening Stock		17,500	Sales		29,000
Purchases	13,000		***Less :*** Returns Inward		550
Less : Returns					28,450
outward	840	12,160	Profit and Loss A/c **(loss by fire)**		2,000
Wages		850	Stock at the end		18,790
Carriage Inward		1,240			
Gross Profit c/d		17,490			
		49,240			49,240
Carriage outward		725	Gross Profit b/d		17,490
Rent		800	Insurance Company		1,500
Advertisement		950			
Bed Debts		600			
Reserve for bad Debts		220			
Trading Account **(loss**					
by fire)		2,000			
Depreciation on Furniture		150			
Net Profit transferred					to Capital Account
13,545					
		18,990			18,990

Balance sheet As on 31 December 2007

Liabilities			**Assets**		
Rent outstanding		150	Goodwill		1,800
Capital	16,000		Deposit with **X**		1,400
Add : Net Profit	13,545		Cash in hand		1,370
	29,545		Furniture	1,500	
Less : Drawings	3,305	26,240	***Less :*** Depreciation	150	1,350

Creditors	4,000	Debtors	5,000	
		Less : Bad Debts	600	
			4,400	
		Less : Provision	220	4,180
		Insurance company		1,500
		Stock at the end		18,790
	30,390			30,390

35. Shri Goyal

Trading And Profit and Loss Account
For the Year Ended On 31 December 2008

	Rs.	Rs.		Rs.	Rs.		
Purchases	3,49,600		Sales		3,70,000	***Less :*** Drawings	2,000
3,47,600							
Wages	10,450						
Add : Contribution to							
National Insurance :							
by Employer	75						
by Employees	75						
	10,600						
Add : Rental value of the							
housing facilities	250	10,850					
Carriage Inwards		200					
Profit and Loss Account		11,350					
(Gross Profit)							
		3,70,000			3,70,000		
Carriage Outwards		250	Trading Account		11,350		
Lighting		300	**(Gross Profit)**				
Rates and Insurance	200		Discount Earned		150		
Less: Prepaid	75	125	Dividends Received		300		
Discount Allowed		50	Rent Earned **(Rental value of**				
Depreciation on :			**housing facilities)**		250		
Plant and Machinery	2,250						
Furniture	400	2,650					
Manager's Commission		1,446					
Net Profit		7,229					
		12,050			12,050		

Balance Sheet As On 31 December 2008

Liabilities		**Rs.**	**Assets**		**Rs.**
Capital	34,250		Plant and Machinery	15,000	
Add : Net Profit	7,229		***Less :*** Depreciation	2,500	12,750
	41,479		Furniture	4,000	
Less : Drawings	2,000	39,479	***Less :*** Depreciation	400	3,600
(Goods to son)			Stock in Trade		30,625
Sundry Creditors		10,000	Sundry Debtors		3,000
Outstanding Commission			Prepaid Insurance		75
to Manager		1,446	Cash in hand and at Bank		875

36. M/s. ABC Company
Trading And Profit and Loss Account
For the Year Ended On 31 March 2002

		Rs.			Rs.		
Opening stock		23,2,00	Sales		2,32,000		
Purchases	58,000		***Less :*** Returns		4,350	***Less :*** Returns	1,160
		2,27,650					
	56,840		Profit and Loss Account		8,700		
Add : Unrecorded			**(Loss by fire)**				
Purchases	2,900	59,740	Stock at the end		20,300		
Wages		20,010					
Gross Profit c/d		1,53,700					
		2,56,650			2,56,650		
Interest on capital		7,250	Gross Profit b/d		1,53,700		
(5% on Rs. 1,45,000)			Insurance Company		5,800		
trading Account	8,700		Interest on Drawings		232		
(Loss by fire)			Interest on Loan	870			
Office Expenses		23,345	***Add :*** Accrued	570	1,450		
			(1,450 – 870)				
Advertisement	15,950		Apprenticeship				
Less : Carried forward	14,500	1,450	Premium	3,480			
Manager's Commission		11,054	***Less :*** Received				
(10/110 × 1,21,597)			in advance	2,320	1,160		
Net Profit transfered			**(2/3 of 3,840)**				
to Capital Account		1,10,543					
		1,62,342			1,62,342		

Balance Sheet As On 31 March 2002

Liabilities		**Rs.**	**Assets**		**Rs.**
Capital		1,45,000	Land and Building		1,59,500
Add : Interest on Capital		7,250	Plant and Machinery		13,050
Net Profit		1,10,543	Furniture and Fixtures		7,250
Less :Drawings	8,700	2,62,793	Investment		8,700
Interest on			Bills Receivable		10,150
Drawings	232	8,932	Sundry Debtors		58,000
		2,53,861	Insurance Company		5,800
Sundry Creditors	45,820		Loan	14,500	
Add : Unrecorded			***Add :*** Accrued		
Purchases	2,900	48,720	Interest	580	15,080
Bills Payable		7,250	Advertisement Suspense		
Manager's Commission			Account		14,500
Outstanding		11,054	Stock at the end		20,300
Apprenticeship premium			Cash at Bank		10,150
received in advance		2,320	Cash in hand		725
		3,23,205			3,23,205

37. Mr. Rishab

Trading And Profit and Loss Account
For the Year Ended On 31 March 2006

		Rs.			Rs.
Opening stock		21,300	Sales	1,40,000	
Purchases	84,000		***Less :*** Returns	5,000	1,35,000
Less : Returns	4,000	80,000	Profit and Loss Account		10,000
Carriage		10,000	**(Loss by fire)**		
Gross Profit c/d		61,000	Closing Stock		27,300
		1,72,300			1,72,300
Sundry Expenses		600	Gross Profit b/d		61,000
Printing and Stationery		500	Provision for discount on		
Insurance	1,000		Debtors **(380 – 342)**		38
Less : Prepaid	200	800	Provision for discount on		
Salaries and Wages		18,500	Creditors		360
Trade Expenses		800	Profit of Textile Department		10,000
Trading Account **(Loss by fire)**		10,000	Insurance Comapany		6,000
Interest on loan		1,350	Provision for Doubtful		
Bad Debts	400		Debts **(1,000 – 900)**		100
Additional	400	800			
Depreciation on :					
Land and Buildings	1,800				
Plant and Machinery	4,000				
Furniture	250	6,050			
Net Profit transferred					
to Capital Account		38,098			
		77,498			77,498

Balance Sheet As on 31 March 2006

Liabilities		**Rs.**	**Assets**		**Rs.**
Capital		1,00,000	Land and Building	90,000	
Add : Net Profit		38,098	***Less :*** Depreciation	1,800	88,200
Less: Drawings :		1,38,098	Plant and Machinery	20,000	
As per T. B.	12,000		***Less :*** Depreciation	4,000	16,000
Goods	2,000	14,000	Furniture	5,000	
		1,24,098		250	
Loan from Gayanand	30,000		***Less :*** Depreciation		4,750
	Stock:				
Add : Accrued Interest	1,350	31,350	General goods	27,300	
			Textile goods	8,000	35,300
Creditors	12,000		Debtors	18,400	
Add : Omitted	6,000		***Less :*** Additional		
	18,000		Bad Debts	400	
Less : Provision				18,000	
for Discount	360	17,640	***Less :*** P. D. D.	900	
				17,100	
			Less : Provision for		
			Discount	342	16,758
			Insurance Company		6,000
			Prepaid Insurance		200
			Cash at Bank		4,600
			Cash in hand		1,280
		1,73,088			1,73,088

WORKING NOTE

	Rs.
Purchases	80,000
Add : Omitted Invoices	6,000
	86,000
Less : Drawings	2,000
	84,000

39. The following is the trial Balance of Hari as at 31 December, 1999 :

	Dr. (Rs.)	Cr. (Rs.)	
Hari's Capital Account	—	76,690	
Stock 1 January, 1999	46,800	—	
Sales		—	3,89,600
Returns Inwards	8,600	—	
Purchases	3,21,700	—	
Returns Outwards	—	5,800	
Carriage Inwards	19,600	—	
Rent & Taxes	4,700	—	
Salaries & Wages	9,300	—	
Sundry Debtors	24,000	—	
Sundry Creditors	—	14,800	
Bank Loan @ 14% p.a.	—	20,000	
Bank Interest	1,100	—	
Printing and Stationery Expenses	14,400	—	
Bank Balance	8,000	—	
Discount Earned	—	4,440	
Furniture & Fittings	5,000	—	
Discount Allowed	1,800	—	
General Expenses	11,450	—	
Insurance	1,300	—	
Postage & Telegram Expenses	2,330	—	
Cash Balance	380	—	
Travelling Expenses	870	—	
Drawings	30,000	—	
	5,11,330	5,11,330	

The following adjustments are to be made :

(i) Included among the Debtors is Rs. 3,000 due from Ram and included among the Creditors Rs. 1,000 due to him.

(ii) Provision for Bad and Doubtful Debts be created at 5% and for Discount @ 2% on Sundry Debtors.

(iii) Depreciation on Furniture & Fittings @ 10% shall be written off.

(iv) Personal Purchases of Hari amounting to Rs. 600 had been recorded in the Purchases Day Book.

(v) Interest on Bank Loan shall be provided for the whole year.

(vi) A quarter of the amount of stationery expense is to be carried forward to the next accounting period.

(vii) Credit purchase invoice amounting to Rs. 400 had been omitted from the books.

(viii) Stock on 31-12-1999 was Rs. 78,600.

SOLUTION :

Hari

Trading And Profit and Loss Account

For the Year Ending on 31 March 1999

	Rs.			Rs.	
Opening Stock		46,800	Sales	3,89,600	
Purchases	3,21,700		***Less :*** Returns	8,600	3,81,000
Add : Omitted Invoice	400		Stock at the end		78,600
	3,22,100				
	5,800				
	3,16,300				
Less : Drawings	600	3,15,700			
Freight and Carriage		19,600			
Gross Profit c/d		77,500			
		4,59,600			4,59,600
Rent and Taxes		4,700	Gross Profit b/d		77,500
Salaries and Wages		9,300	Discount		4,440
Bank Interest	1,100				
Add : Accrued	1,700	2,800			
Printing and Stationery		14,400			
Less : Prepaid **(1/4)**		3,600	10,800		
Discount Allowed		1,800			
General Expenses		11,450			
Insurance		1,300			

Less : Returns

Postage and Telegrams	2,330		
Travelling Expenses	870		
Provision for Bad Debts	1,150		
Provision for Discount on Debtors	437		
Depreciation On :			
Furniture and Fittings	500		
Net Profit transferred to Capital Account	34,503		
	81,940		81,940

Balance Sheet as on 31 December 1999

Liabilities	**Rs.**	**Rs.**	***Assets***	**Rs.**	**Rs.**
Capital	76,690		Furniture and Fittings	5,000	
Add : Net Profit	34,503		***Less :*** Depreciation	500	4,500
	1,11,193		Debtors	24,000	
Less : Drawings :			***Less :*** Common Debt	1,000	
Cash	(30,000)			23,000	
Goods	**(600)**	80,953	***Less :*** Provision for Doubtful Debts	1,150	
Bank Loan		20,000		21,850	
Bank Interest Accrued		1,700	***Less :*** Provision for Discount	437	21,413
Sundry Creditors	14,800		**(2% of Rs. 21,850)**		
Less : Common Debts	1,000		Stock at the end		78,600
	13,800		Prepaid Expenses :		
Add : Invoice Omitted	400	14,200	Printing and stationery		3,600
			Cash in hand		380
			Cash at Bank		8,000
		1,16,493			1,16,493

2. From the following Trial Balance of 'Mr. Yamin' for the year ending 31-3-2000, and additional information given, prepare Trading and Profit & Loss Account and a Balance Sheet as at that date :

Trial Balance

	Dr. (Rs.)	Cr. (Rs.)
Opening Stock	1,00,000	—
Capital	—	9,00,000
Debtors and Creditors	1,20,000	70,000
Purchases and Sales	8,00,000	14,00,000
Returns	30,000	20,000
Carriage	16,000	—
Wages and Salaries	50,000	—
Commission	—	26,000
Machinery	1,60,000	—
Furniture	40,000	—
Bad debts	16,000	—
Provision for doubtful debts	—	20,000
B/R and B/P	60,000	14,000
Taxes and Insurance	34,000	—
Land and Buildings	8,00,000	—
Discount allowed	24,000	—
Bank		1,00,000 —
Drawings	1,00,000	—
	24,50,000	24,50,000

Additional Information :

(i) Value of closing stock, as on 31-3-2000 is Rs. 80,000.

(ii) Insurance prepaid is Rs. 4,000. Wages and salaries outstanding is Rs. 2,000.

(iii) Provide for doubtful debts on the debtors @ 10%.

(iv) Depreciate Machinery and Furniture @ 10% and @ 15% respectively.

(v) Goods of the value of Rs. 10,000 were taken by the proprietor for his own use but no entry was made in the books of accounts.

SOLUTION :

Mr. Y

Trading And Profit and Loss Account

For the Year Ending on 31 March 2000

		Rs.			Rs.	
Opening Stock		1,00,000	Sales	14,00,000		
Purchases	8,00,000		***Less :*** Returns	30,000	13,70,000	
Less : Returns	20,000		Stock at the end		80,000	
	7,80,000					
Less : Drawings	10,000	7,70,000				
Carriage		16,000				
Wages and Salaries	50,000					
Add : Outstanding	2,000	52,000				
Gross Profit c/d		5,12,000				
		14,50,000				14,50,000
Bad Debts		16,000	Gross Profit b/d		5,12,000	
Taxes and Insurance	34,000		Commission		26,000	
Less : Prepaid	4,000	30,000	Provision for Doubtful			
Discount Allowed		24,000	Debts **(20,000–12,000)**			8,000
Depreciation on :						
Machinery		16,000				
Furniture		6,000				
Net Profit transferred to						
Capital Account		4,54,000				
		5,46,000			5,46,000	

Balance Sheet of Mr. Y As On 31 March 2000

Liabilities	**Rs.**	**Rs.**	***Assets***	**Rs.**	**Rs.**
Capital	9,00,000		Cash at Bank	1,00,000	
Add : Net Profit	4,54,000		Debtors	1,20,000	
	13,54,000		***Less :*** Provision	12,000	1,08,000
Less : Drawings			Bills Receivable	60,000	
(1,00,000+10,000)	1,10,000	12,44,000	Prepaid Insurance		4,000
Creditors			Stock in hand	80,000	
For Goods	70,000		Land and Building	8,00,000	
For Wages and Salaries	2,000		Machinery		1,60,000
Bills Payable		14,000	***Less :*** Depreciation	16,000	1,44,000

	Furniture	40,000	
	Less : Depreciation	6,000	34,000
13,30,000			13,30,000

5. From the following Trial Balance of Vee Kay Traders, prepare Trading and Profit and Loss Account for the year ended 31st March, 2002 and a Balance sheet as on that date :

Debit Balances	Rs.	*Credit Balances*	Rs.
Plant and Machinery	19,720	Capital	80,000
Manufacturing wages	34,965	Sundry Creditors	54,160
Salaries	15,965	Bank Loan	10,000
Fixtures and Fittings	9,480	Purchases Returns	1,140
Carriage inwards	1,980	Reserve for Bad and	
Carriage outward	2,150	Doubtful debt	2,000
Freehold works	25,000	Sales	2,46,850
Manufacturing expenses	9,455		
Insurance and Taxes	4,175		
Goodwill	30,000		
General expenses	8,142		
Factory Fuel and Power	1,276		
Sundry Debtors	78,140		
Factory lighting	986		
Stable expenses for distribution	2,473		
Stock on 1 April, 2001	34,170		
Horses and Carts	5,165		
Purchases	97,165		
Sales Returns	3,170		
Discount allowed	928		
Bad debts	1,485		
Interest and Bank Charges	475		
Cash at Bank	7,540		
Cash in hand	145		
	3,94,150		3,94,150

Adjustments :

(a) Stock on 31 March, 2002 Rs. 29,630.

(b) Depreciation — Plant and Machinery 10%, Furniture and Fittings – 5%, Horses and Carts Rs. 1,000.

(c) Bring reserve for bad and doubtful debts to 5%.

(d) Unexpired insurance Rs. 300 and Taxes Rs. 190.

(e) A commission of one per cent on the gross profit to be provided to works manager.

(f) A commission of 5% on net profit after charging the works manager's commission to be credited to the general manager. **[B.Com. Punjab]**

SOLUTION :

Veek Kay Traders

Trading And Profit and Loss Account

For The Year Ending 31 March 2002

		Rs.			Rs.
Opening stock		34,170	Sales	2,46,850	
Purchases	97,165		***Less :*** Returns	3,170	2,43,680
Less : Returns	1,140	96,025	Closing stock		29,630
Carriage inwards		1,980			
Manufacturing expenses		9,455			
Factory fuel and power		1,276			
Factory lighting		986			
Manufacturing wages		34,965			
Gross Profit c/d		94,453			
		2,73,310			2,73,310
Salaries		15,965	Gross Profit b/d		94,453
Carriage outwards		2,150			
Insurance and taxes	4,175				
Less : prepaid	490	3,685			
General expenses		8,142			
Stable expenses		2,473			
Discount allowed		928			
Bad debts		1,485			
Provision for Doubtful Debts **(3,907–2,000)**			1,907		
Interest and bank charges			475		
Depreciation on :					
Plant and machinery	1,972				
Furniture & fittings	474				
horses and carts	1,000	3,446			
Commission to works manager			945		
Commission to general manager		2,517			

Net Profit transferred					
to Capital Account		50,335			
		94,453			94,453

Balance Sheet As on 31 March 2002

Liabilities		**Rs.**	***Assets***		**Rs.**
Capital	80,000		Goodwill	3,000	
Add : Net Profit	50,335	1,30,335	Plant & Machinery	19,720	
Bank loan		10,000	***Less :*** Depreciation	1,972	17,748
Sundry Creditors		54,160	Furniture & fitting	9,480	
Outstanding Commission to :			***Less :*** Depreciation	474	9,006
Works manager	945		Freehold works	25,000	
General Manager	2,517	3,462	Horses and carts	5,165	
			Less : Depreciation	1,000	4,165
			Closing Stock	29,630	
			Sundry Debtors	78,140	
			Less : Provision		
			for doubtful debts	3,907	74,233
			Cash at bank	7,540	
			Cash in hand	145	
			Prepaid insurance	300	
			Prepaid taxes	190	
		1,97,957			1,97,957

12. From the following figures extracted from the books of Shri Govind, prepare a trading and profit and loss account for the year ended 31 March, 1999 and balance sheet as on that date after making necessary adjustments :

	Rs.		Rs.		
Shri Govind's capital		2,28,800	Stock 1-4-1998	38,500	
Shri Govind's drawings		13,200	Wages	35,200	
Plant and machinery		99,000	Sundry creditors	44,000	
Freehold property		66,000	Postage and telegrams	1,540	
Purchases		1,10,000	Insurance		1,760
Returns outward		1,100	Gas and fuel	2,970	
Salaries		13,200	Bad debts	660	
Office expenses		2,750	Office rent	2,860	
Office furniture		5,500	Freight	9,900	

Discount account (Dr.)	1,320	Loose tools	2,200
Sundry debtors	29,260	Factory lighting	1,100
Loan to Shri Krishna @ of 10%		Provision for doubtful debts	880
–balance on 1-4-1998	44,000	Interest on loan to	
Cash at bank	29,260	Shri Krishna	1,000
Bills payable	5,500	Cash on hand	2,640
Sales		231,440	

Adjustments :

(i) Stock on 31 March 1999 was valued at Rs. 72,600.

(ii) A new machine was installed during the year costing Rs. 15,400 but it was not recorded in the books as no payment was made for it. Wages paid for its erection have been debited to wages account.

(iii) Depreciate plant and machinery by 33-1/3%; furniture by 10% and freehold property by 5%.

(iv) Loose tools were valued at Rs. 1,760 on 31-3-1999.

(v) Of the sundry debtors Rs. 660 are bad and should be written off.

(vi) Maintain a provision of 5% on sundry debtors for doubtful debts.

(vii) The manager is entitled to a commission of 10% of the net profits after charging such commission.

SOLUTION :

Shri Govind

Trading And Profit and Loss Account

For The Year Ending On 31 March 1999

		Rs.		Rs.
Opening Stock		38,500	Sales	2,31,440
Purchases	1,10,000		Stock at the end	72,600
Less : Returns	1,100	1,08,900		
Wages	35,200			
Less : For erection of Machine	1,100	34,100		
Gas and Fuel		2,970		
Freight		9,900		
Factory Lighting		1,100		
Gross Profit c/d		1,08,570		
		3,04,040		3,04,040
Postage and Telegrams		1,540	Gross Profit b/d	1,08,570
Salaries		13,200	Interest on Loan	1,100
Office expenses		2,750	***Add :*** Outstanding	3,300 4,400

Insurance		1,760		
Office Rent		2,860		
Discount		1,320		
Bad Debts **(660 + 660)**			1,320	
Provision for Bad Debts **(1,430–880)**		550		
Depreciation on :				
Machinery	38,500			
Furniture	550			
Freehold Property	3,300	42,350		
Loss on Revaluation of Loose Tools		440		
Manager's Commission		4,080		
Net Profit		40,800		
		1,12,970		1,12,970

Balance Sheet As On 31 March 1999

Liabilities		**Rs.**	***Assets***			
Capital	2,28,800		Plant and Machinery	99,000		
Add : Net Profit	40,800		***Add :*** New Machine	16,500		
	2,69,600		**(15,400 + 1,100)**	1,15,500		
Less : Drawings	13,200	2,56,400	***Less :*** Depreciation		38,500	77,000
Bills Payable		5,500	Freehold Property	66,000		
Sundry Creditors		59,400	***Less :*** Depreciation	3,300	62,700	
Manager's Commission Outstanding		4,080	Office Furniture		5,500	
			Less : Depreciation	550	4,950	
			Loose Tools	2,200		
			Less : Loss on Revaluation	440	1,760	
			Sock at the end		72,600	
			Debtors	28,600		
			Less : Provision	1,430	27,170	
			Loan to Shri Krishna	44,000		
			Add : Interest thereon	3,300	47,300	
			Cash at Bank		29,260	
			Cash in hand		2,640	
		3,25,380				3,25,380

17. From the following Trial Balance of Fatima on December 31, 2001, prepare the Final Accounts.

Trial Balance of F as on December 31, 2001

Debit Balances	Amount Rs.	*Credit Balances*	Amount Rs.
Drawings	6,000	Bank Overdraft	25,000
Wages	15,500	Interest on Investment	5,800
Stock	12,800	Bills Payable	4,600
Loan to Gaurav	4,000	Interest on Loan to Gaurav	320
Rent	5,000	Capital	1,00,000
General Expenses	1,480	Reserve for Bad and	
Investments	60,000	Doubtful Debts	250
Purchases	1,60,000	Sales	2,30,000
Freight and Carriage	2,100	Sundry Creditors	12,590
Goodwill	40,000		
Bills Receivable	6,200		
Rates and Taxes	1,800		
Sales Return	2,100		
Insurance	900		
Cash in hand	2,500		
Savings Bank	1,200		
Postage and Telegram	3,800		
Land and Building	25,000		
Plant and Machinery	10,000		
Sundry Debtors	16,500		
Packing Charges	400		
Bad Debts	1,280		
	3,78,560		3,78,560

Adjustments :

(i) Closing stock as on 31 December 2001— Rs. 16,000.

(ii) Goods worth Rs. 700 were sent on 25-12-2001 as "Sale on Approval Basis" for Rs. 800 and the approval was not received before the end of the month.

(iii) 20% of the goodwill is to be written off.

(iv) Further bad debts was estimated at Rs. 350.

(v) Increase Reserve for Bad Debts to the extent of Rs. 1,500.

(vi) Depreciate Land and Building by 3% and Plant and Machinery by 10%.

(vii) Goods worth Rs. 800 were distributed as free samples.

SOLUTION :

Fatima

Trading And Profit and Loss Account

For The Year Ending 31 December 2001

		Rs.			Rs.
Opening Stock		12,800	Sales	2,30,000	
Purchases	1,60,000		***Less :*** Returns	2,100	2,27,900
Less : Free Samples	800	1,59,200	Stock at the end		16,000
Wages		15,500	***Add :*** Sale on Approval	700	16,700
Freight and Carriage		2,100			
Packing Charges		400			
Gross Profit c/d		5,600			
		2,44,600			2,44,600
Goodwill (Amortization of)		8,000	Gross Profit b/d		54,600
Bad Debts	1,280		Interest on Investments		5,800
(+) Additional	350	1,630	Interest on Loan to Gaurav		320
Provision for Doubtful Debts		1,250			
Depreciation on :					
Land and Building	750				
Plant and Machinery	1,000	1,750			
Advertisement **(free samples)**		800			
Rent		5,000			
General Expenses		1,480			
Rates and Taxes		1,800			
Insurance		900			
Postage and Telegrams		3,800			
Net Profit transferred to Capital Account		34,310			
		60,720			60,720

Balance Sheet As on 31 December 2001

Liabilities		**Rs.**	***Assets***	**Rs.**
Capital	1,00,000		Cash in hand	2,500
Add : Net Profit	34,310		Saving Bank	1,200
	1,34,310		Bills Receivable	6,200

Less : Drawings	6,000	1,28,310	Loan to Gaurav		4,000
Bills Payable		4,600	Sundry Debtors	16,500	
Bank Overdraft		25,000	***Less :*** Bad Debts	(350)	
Sundry Creditors		12,590	***Less :*** Reserve for		
			Bad Debts	(1,500)	14,650
			Stock at the end		16,700
			Investments		60,000
			Plant and		10,000
			Machinery	10,000	
			Less : Depreciation	1,000	9,000
			Land and Building	25,000	
			Less : Depreciation	750	24,250
			Goodwill	40,000	
			Less : Amortised	8,000	32,000
		1,70,500			1,70,500

Attention Please

Goods sent on approval are not treated as sales and also not available at the time of stock taking. Hence cash price of the goods should be included in the sales.

18. Mrs. Ghosal submits to you the following Trial Balance which she has not been able to agree. Prepare the Trial Balance after correcting the errors committed by her and prepare a Trading Account and Profit & Loss Account for the year ended 31 December, 2001 and a Balance Sheet as at that date after giving effect to the undermentioned adjustments :

	Dr.	Cr.
	Rs.	Rs.
Capital	—	15,000
Drawings	3,250	—
Stock (1.1.2001)	17,445	—
Returns Inward	—	554
Carriage Inward	1,240	—
Deposit with Bank	—	1,375
Returns Outward	840	—
Carriage Outward	—	725
Loan to Chatterjee @ 5% p.a. (on 1.1.2001)	—	1,000
Interest on the above	—	25
Rent	820	—

Rent Outstanding	130	—	
Stock (31.12.2001)		18,792	
Purchases	12,970	—	
Debtors	4,000	—	
Creditors	—	3,000	
Provision for Doubtful Debts	—	1,200	
Advertisement Expenses	954	—	
Bad Debts	400	—	
Patents	500	—	
Sales	—	27,914	
Discount allowed	—	330	
Wages	754	—	
Cash		62	—
Goodwill	1,730	—	
	45,095	69,915	

Adjustments :

(i) The manager of Mrs. Ghosal is entitled to a commission of 10% of the net profit calculated after charging such commission.

(ii) Increase bad debts by Rs. 600. Provision for doubtful debts is to be 10% and provision for discount on debtors is to be 5% on sundry debtors.

(iii) Stock valued at Rs. 1,500 was destroyed by fire on 25 December 2001 but the insurance company admitted a claim of Rs. 950 only and paid it in 2002.

(iv) Rs. 200 out of advertisement expenses are to be carried forward to next year.

SOLUTION :

Mrs. Ghosal

Trial Balance As on 31 December 2001

Debit Balances	**Rs.**	**Credit Balances**	**Rs.**
Drawings	3,250	Capital	15,000
Stock **(1-1-2001)**	17,445	Returns Outward	840
Returns Inward	554	Interest on Loan	25
Carriage Inward	1,240	Outstanding Rent	130
Deposit with Bank	1,375	Creditors	3,000
Carriage Outward	725	Provision for Doubtful Debts	1,200
Loan to Chatterjee		Sales	27,914
@ 5% on 1-1-2001	1,000		
Rent	820		
Purchases	12,970		

Debtors	4,000		
Advertisement Expenses	954		
Bad Debts	400		
Patents	500		
Discount Allowed	330		
Wages	754		
Cash	62		
Goodwill	1,730		
48,109		48,109	

Stock at the end, Rs. 18,792 would not be shown in the trial balance since the purchases are not adjusted.

Trading And Profit and Loss Account
For The Year Ending on 31 December 2001

		Rs.			Rs.
Opening Stock		17,445	Sales	27,914	
Purchase	12,970		***Less :*** Returns	554	27,360
Less : Returns	840	12,130	Profit and		
Carriage Inward		1,240	Loss Account **(Stock Destroyed)**		1,500
Wages		754	Stock at the end		18,792
Gross Profit c/d		16,083			
		47,652			47,652
Rent		820	Gross Profit b/d		16,083
Advertisement Expenses	954		Insurance Company		950
Less : Prepaid	200	754	Provision for Doubtful		
Bad Debts	400		Debts **(1,200-340)**		860
Additional Bad Debts	600	1,000	Interest on Loan	25	
Discount Allowed		330	***Add :*** Accrued	25	50
Trading Account		1,500			
Provision for Discount on					
Debtors		153			
Carriage Outward		725			
Manager's Commission		1,151			
Net Profit transferred					
to Capital Account		11,510			
		17,943			17,943

Balance Sheet As on 31 December 2001

Liabilities		Rs.	*Assets*		Rs.
Capital	15,000		Goodwill		1,730
Add : Net Profit	11,510		Patents		500
	26,510		Deposit with Bank		1,375
Less : Drawings	3,250	23,260	Loan to Chatterjee		1,000
Creditors		3,000	Interest Accrued thereon		25
Manager's Commission unpaid		1,151	Stock in hand		18,792
Outstanding Rent		130	Debtors	4,000	
			Less : Additional Bad Debts	600	
				3,400	
			Less : Provision for Doubtful Debts	340	
				3,060	
			Less : Provision for Discount	153	2,907
Insurance Company			950		
			Prepaid Advertisement		200
			Cash in hand		62
		27,541			27,541

Attention Please

Manager's Commission is calculated as under :

10 × 12,661 (17,943–5,282) = Rs. 1,151

110

19. The following Trial Balance as on December 31, 2002 has been extracted from the books of Garima. You are required to prepare the Final Accounts.

Trial Balance of Garima as on December 31, 2002

Debit Balances	Amount	*Credit Balances*	Amount
	Rs.		Rs.
Cash in hand	600	Capital	50,000
Cash at Bank	4,100	Sundry Creditors	30,000
Purchases	2,12,300	Bills Payable	4,200
Sales Return	4,500	Sales	3,57,300
Transportation	18,700	Purchases Returns	1,080
Wages	60,200		
Salaries	17,800		

Printing and Stationery	4,500		
Rent, Rates and Taxes	12,880		
Factory Rent	8,500		
Fuel and Gas	6,100		
Carriage Outwards	800		
Commission	1,500		
Stable Expenses	6,200		
Bills Receivable	2,150		
Sundry Debtors	5,000		
Furniture	4,300		
Loose Tools	1,400		
Horse and Cart	2,500		
Postage and Telephone	3,800		
Factory Manager's Salary	18,750		
Opening Stock	46,000		
	4,42,580		4,42,580

Adjustments :

(i) Stock as on 31 December 2002 was valued at Rs. 50,600.

(ii) At the end of the year, it was ascertained that there was shortage of goods worth Rs. 4,500. It was decided to write off 10% of it as natural shortage and to recover the remainder from Godown keeper.

(iii) Provide 10% p.a. depreciation on Furniture. Furniture worth Rs. 300 was purchased on 1 September 2002.

(iv) Depreciate horse and carts by 10%.

(v) A bill for 3 months valued at Rs. 1,000, discounted at 10% with the Banker was dishonoured on 29-12-2002. The intimation from the Banker was received on 2-1-2003.

(vi) Outstanding salaries— Rs. 250.

(vii) Loose tools were revalued at Rs. 1,200.

SOLUTION :

Garima

Trading And Profit and Loss Account

For the Year Ending on 31 December 2002

		Rs.			Rs.
Opening Stock		46,000	Sales		3,57,300
Purchases	2,12,300		***Add :*** Shortages		4,500
Less : Returns	1,080	2,11,220			3,61,800

Transportation		18,700	***Less :*** Sales Returns	4,500	3,57,300	
Wages		60,200	Stock at the end		50,600	
Factory Rent		8,500				
Fuel and Gas		6,100				
Factory Manager's Salary			18,750			
Gross Profit c/d		38,430				
		4,07,900			4,07,900	
Shortages		4,500	Gross Profit b/d		38,430	
Salaries	17,800		Godown Keeper		4,050	***Add :*** Outstanding
	250	18,050	Net Loss transferred to			
Printing and Stationery		4,500	Capital Account		1,0610	
Rent, Rates and Taxes		12,880				
Carriage Outwards		800				
Commission		1,500				
Stable Expenses		6,200				
Postage and Telephone		3,800				
Depreciation on :						
Furniture	410					
Horse and cart	250					
Loose Tools	200	860				
		53,090			53,090	

Balance Sheet As on 31 December 2002

Liabilities		**Rs.**	***Assets***		**Rs.**
Bills Payable		4,200	Cash in hand		600
Sundry Creditors		30,000	Cash at Bank	4,100	
Outstanding Salaries		250	***Less :*** Bills Receivable		
Capital	50,000		Discounted Dishonoured	1,000	3,100
Less : Net Loss	10,610	39,390	Bills Receivable		2,150
			Sundry Debtors	5,000	
			Add : Bills Receivable		
			Discounted Dishonoured	1,000	6,000
			Goldown Keeper		4,050
			Stock at the end		50,600
			Horse and Cart	2,500	
			Less : Depreciation	250	2,250
			Loose Tools	1,400	

	Less : Loss on		
	Revaluation	200	1,200
	Furniture	4,300	
	Less : Depreciation	410	3,890
	(400+10)		
73,840			73,840

Attention Please

When the discounted bills receivable is dishonoured, the bank balance is reduced and debtors are increased. The entry is.

Debtors' Account Dr.

To Bank Account