

V. Imp.

CH : Financial Statements of Sole Proprietor - With Adjustments

* **Adjustments** - All the items / information given outside the trial Balance.

eg :-

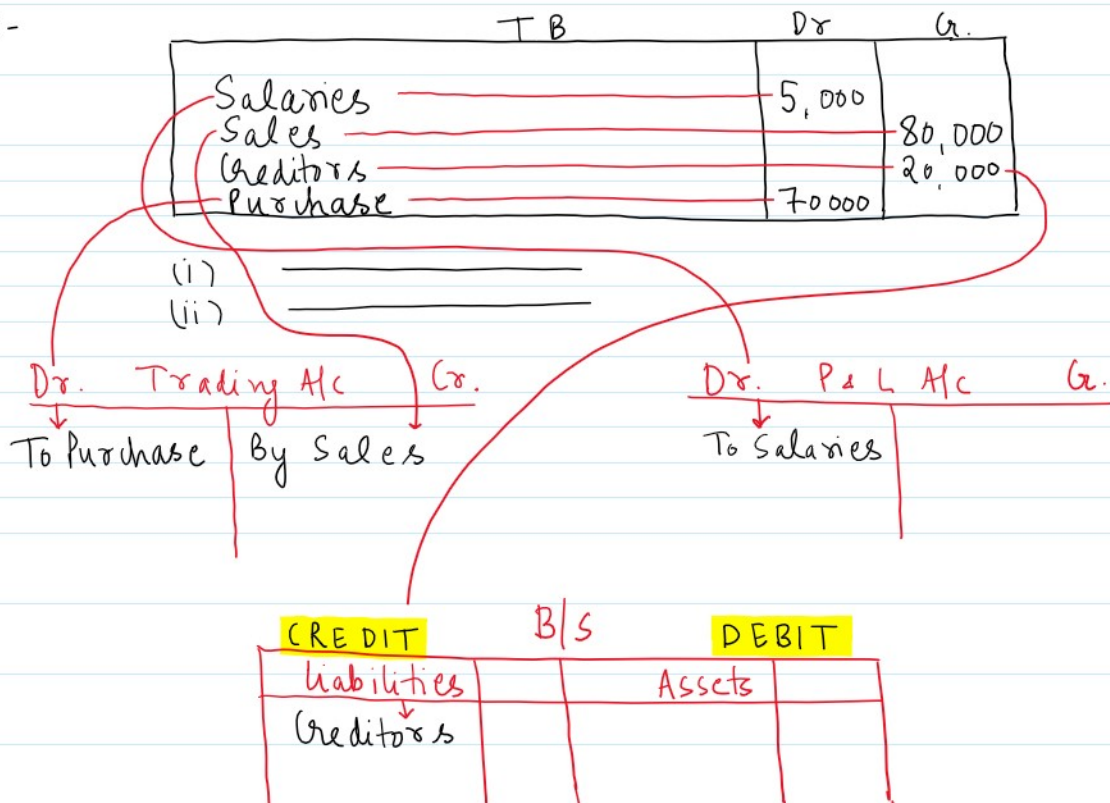
T B		Dr	Cr
Sales			1,00,000
Salaries	20,000		
Wages	10,000		
Creditors			40,000

(i) _____ } **Adjustments**
 (ii) _____ }
 (iii) _____ }

* All the items given in Trial Balance is posted at one place only (Debit items on Debit side and Credit items on Credit side)

* All the Adjustments have two effects - one on debit side and other on credit side

eg :-



Creditors			
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* ADJUSTMENTS *

① Closing stock

- Cr. side in Trading A/c CREDIT
- Asset side in B/S DEBIT

* If Closing stock is given in Trial Balance
 → Asset side in B/S

② Outstanding expense or Expense due or Expense unpaid

- Add in Respective expense DEBIT
- liabilities in B/S CREDIT

* If "Outstanding expense" is given in T/B
 → Liabilities in B/S

10K	10K	10K	10K	10K	10K	10K	10K	10K	10K	X	X
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Rent paid = 1,00,000

Add:- Rent Outstanding = 20,000
120,000

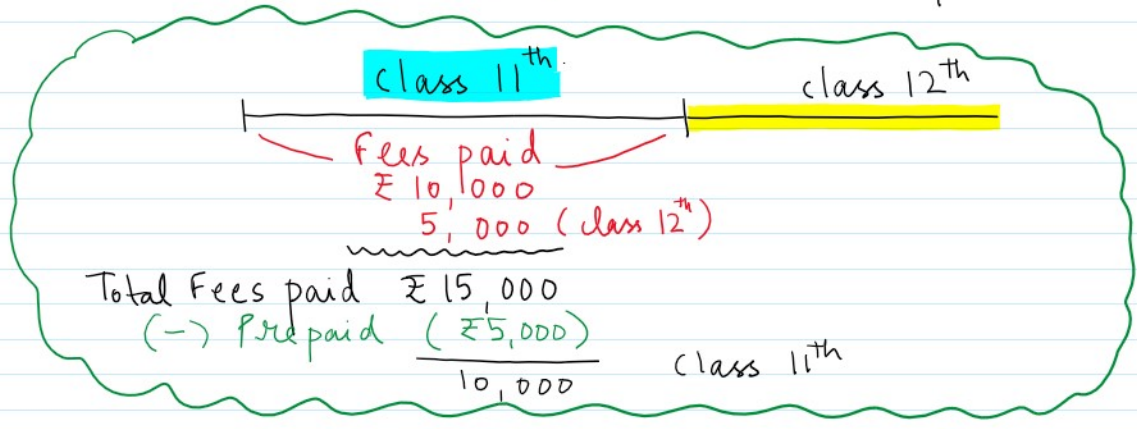
③ Prepaid Expense or Expense paid in Advance

- Less from Respective expense CREDIT
- Asset side in B/S DEBIT

Asset side in B/S **DEBIT**

* If "prepaid expense" is given in T/B

Asset side in B/S



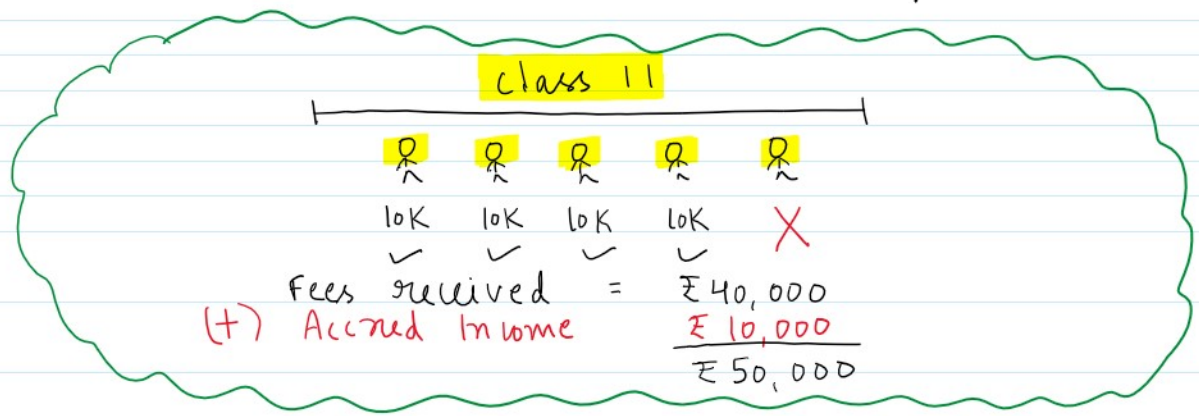
④ **Accrued Income** or Income due but not received

Add in Respective Income **CREDIT**

Asset side in B/S **DEBIT**

* If "Accrued Income" is given in T/B

Asset side in B/S



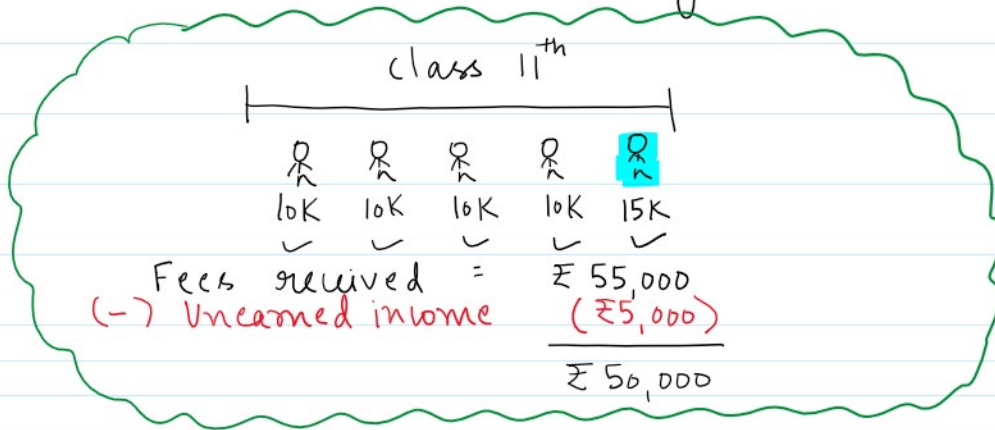
⑤ **Unearned Income** OR Income Received in Advance

Less from Respective Income **DEBIT**

Liability side in B/S **CREDIT**

Liability side in B/S CREDIT

* If "Unearned Income" is given in T/B
 liability side in B/S



eg :-

T B		Dr	Cr
①	Wages	10,000	
	Salaries	20,000	
	Rent	8,000	
	Commission		15,000
	Discount	3,000	

- Adjustment
- (i) Closing Stock £ 4,000
 - (ii) Outstanding Wages £ 1,000
 - (iii) Prepaid Salaries £ 3,000
 - (iv) Unearned Commission £ 2,000.

Show financial statements Presentation.

Dr		Trading A/c		Cr
To Wages	10,000		By closing stock (i)	4,000
(+) Outstanding Wages (ii)	1,000	11,000		

Dr		P+L A/c		Cr
To Salaries	20,000		By Commission	15,000
(-) Prepaid Salary (iii)	(3,000)	17,000	(-) Unearned Commission (iv)	(2,000)
To Rent	8,000			13,000
To discount	3,000			

To discount	3,000	
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Balance Sheet

Liabilities		Assets	
Outstanding wages ⁽ⁱⁱ⁾	1,000	Closing stock ⁽ⁱ⁾	4,000
Unearned commission ^(iv)	2,000	Prepaid Salary ⁽ⁱⁱⁱ⁾	3,000

⑥
100%

Depreciation

- Dr. side in P&L A/c DEBIT
- Deduct from Asset in B/S CREDIT

* If "depreciation" is given in Trial Balance
→ Dr. side in P&L A/c

eg ①

TB		
	Dr	Cr
Machine	20,000	

(i) Depreciate machine @ 20%

Sol:-

P&L A/c			
Dr		Cr	
To Depreciation	4,000		

B/S		
	Dr	Cr
Machine	20,000	
(-) Dep	(4,000)	16,000

eg ②

TB		
	Dr	Cr
Machine	100,000	
Depreciation		10,000

Machine Depreciation*	100,000	
	→ 10,000	

(i) Depreciate machine @ 20%

Sol:-

D	P & L A/c	G
→ To Depreciation	10,000	
→ To depreciation	20,000	

B/S	
	Machine 1,00,000
	→ (-) Dep (20,000)
	80,000

eg ③

TB	D	G
Machine (COST)	100,000	
Provision for depreciation*		→ 20,000

(i) Depreciation @ 10% (SLM)

Sol:-

D	P & L A/c	G
→ To depreciation	10,000	

B/S	
	Machine 100,000
	→ (-) Provision (30,000)
	70,000

eg ④

Book value = 160,000

TB	D	G
Furniture (COST)	200,000	
Provision for depreciation		40,000

(i) Depreciate furniture @ 20% (WDV)

Sol:-

P & L A/c	
→ To depreciation	32,000

B/S	
	Furniture 200,000
	(-) Provision (12,000)
	<u>128,000</u>

7

BAD DEBTS

- Dr. in P+L A/c Debit
- Deduct from Debtors in B/S CREDIT

* If "Bad debts" are given in Trial Balance then
 → Dr. in P+L A/c

eg -

TB		Dr	Cr
Debtors		100,000	
Bad debts		3,000	

(i) Bad debts ₹ 6,000 → New Bad Debt [Further Bad debts]

Sol:-

Dr		P+L A/c		Cr	
→ To Bad debts	3,000				
→ Add: New Bad debts	6,000	9,000			

B/S	
	Debtors 100,000
	→ (-) New B-debt (6,000)
	<u>94,000</u>

* Bad debts Recovered

- Cr. side in P+L A/c
- Add in Cash in B/S

If "Bad debt recovered" is given in Trial Balance

If "Bad debt recovered" is given in Trial Balance

Cr. side in P&L A/c

8
V.V. Imp
(3-4M)

Provision for doubtful Debts (P.D.D)

Dr. side in P&L A/c

Deduct from Debtors in B/S

* If P.D.D is given in Trial Balance

Cr. side in P&L A/c

eg ①

OLD

TB		Dr	Cr
Debtors		300,000	
Bad debts		2,000	

(i) Create P.D.D @ 5%. $\left\{ \frac{5}{100} \times 300,000 \right\} = 15,000$

Sol:-

P&L A/c		Dr	Cr
To Bad debt	2000		
Add: P.D.D	15000	17000	

B/S		Dr	Cr
Debtors	300000		
(-) P.D.D	(15000)		285000

eg ②
4 Marks

OLD

TB		Dr	Cr
Debtors		410000	-
Bad debts		6000	-
P.D.D		-	20000

NEW

(i) Bad debts ₹ 10,000

(ii) Maintain P.D.D @ 10%

$\frac{10}{100} \times (410,000 - 10,000)$

(ii) Maintain P.D.D @ 10%. $\frac{10}{100} \times (410,000 - 10,000)$
 $= \frac{10}{100} \times 400,000 = 40,000$

closing

Sol:-

Journal

(i) Bad debt A/c Dr. 10,000
 To Debtor 10,000

(ii) P.D.D A/c Dr. 16,000
 To Bad debt A/c 16,000
 (old + New)

At last (iii) P & L A/c Dr. 36,000
 To P.D.D A/c 36,000

Dr		Debtor A/c		Cr	
To Balance B/d	410,000	By Bad debt A/c	10,000		
		By Balance c/d	400,000		
	410,000				410,000

Dr		Bad debt A/c		Cr	
To Balance B/d (old)	6,000	By P.D.D A/c	16,000		
To debtor	10,000				
	16,000				16,000

इसको calculate करें

Dr		P.D.D A/c		Cr	
To Bad debt A/c	16,000	By Balance B/d (opening)	20,000		
To Balance c/d (closing P.D.D)	40,000	By P & L A/c	36,000		
	56,000				56,000

Dr		P & L A/c		Cr	
To Bad debt (old)	6,000				
(+) New Bad debt	10,000				
(+) closing P.D.D	40,000				
(-) Opening P.D.D (20,000)		36,000			

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B/S	
	Debtors 410,000 (-) New Baddebt (10,000) (-) Closing P.D.D (40,000) <u>360,000</u>

eg ③

TB		Dr	Cr
Sundry debtors		200,000	
P.D.D			16,000
Bad debts		5,000	

(i) Bad debts ₹ 500

(ii) P.D.D @ 5%

$$\left\{ \frac{5}{100} \times 199,500 \right\} = 9975$$

Journal, ledgers, P&L and B/S

Journal

(i) Bad debt A/c Dr. 500
 To Debtor 500

(ii) P.D.D A/c Dr. 5,500
 To Bad debt A/c 5,500
 (old + New)

At last
(iii) P.D.D A/c Dr. 525
 To P&L A/c 525

Debtor A/c		Dr	Cr
To Balance B/d	200000	By Bad debt A/c	500
		By Balance c/d	199500
	200000		200000

Dr		Bad debt A/c		Cr	
To Balance B/d (old)	5000	By P.D.D A/c		5500	
To debtor	500				
	5500				5500

इसको calculate करें

Dr		P.D.D A/c		Cr	
To Bad debt A/c	5,500	By Balance B/d (opening)		16,000	
* To P&L A/c (bal.)	525				
To Balance c/d (closing P.D.D)	9,975				
	16,000				16,000

Dr		P&L A/c		Cr	
To Bad debt (old)	5000				
(+) New Bad debt	500				
(+) Closing P.D.D	9975				
(-) Opening P.D.D (16000)		(-) 525		By P.D.D A/c **	525

B/S	
Debtors	200,000
(-) New Bad debt (500)	
(-) Closing P.D.D (9975)	
	189,525

9

Provision for Discount on Debtors

- Dr. side in P&L A/c
- Deduct from Debtors in B/S

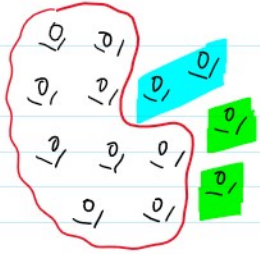
**
4 Mark eg
old
opening

TB		Dr	Cr
Debtors		100000	-
Bad debts		2000	-
Discount allowed		1500	-
Provision for Doubtful Debts		-	6000
Provision for discount → opening		-	1000

opening	Provision for Doubtful Debts	1000	6000
	Provision for discount → opening	-	1000

- (i) P. D. D @ 3% \rightarrow closing $\Rightarrow \frac{3}{100} \times 100,000 = 3,000$
- (ii) Provision for discount @ 2% \rightarrow closing $\Rightarrow \frac{2}{100} \times 97,000 = 1,940$

Sol:-



Debtors	
(-) Bad debt (New)	
(-) P. D. D (closing)	
<hr/>	
Good Debtors	

* Provision for discount is always calculated on Good Debtors.

Dr	P&L A/c	Cr
To Bad debt (old) 2000		
(+) New Bad debt 0		
(+) Closing P. D. D 3000		
(-) Opening PDD (6000)	0	
<hr/>		
To discount allowed 1500		
(+) Using Provision 1940		
(-) Opening Provision (1000) for discount	2,440	
		By P. D. D* 1,000

B/S	
Debtors	100,000
(-) closing P. D. D (3000)	
(-) closing Prov. for discount (1940)	
	<hr/>
	95,060

10

Manager's Commission

→ Manager's Commission is calculated on Net profit (before charging the commission). In case of Net loss, no manager's commission will be given.

Net loss, ~ no manager's commission will be given.

→ This Adjustment is always to be calculated at Last

Dr.	P&L A/c		Cr.
	1000	G.P	10,000
	2000		
	500		
	500		
	1000		
To Net profit	5,000		
	10,000		10,000

10% of Net profit

$$\frac{10}{100} \times 5000 = 500$$

→ Dr. side in P&L A/c
 → Liability side in B/S (as Outstanding Manager's commission)

* How to calculate ???

Case (i) Manager's commission is provided on net profit before charging such commission

$$= \frac{\text{Rate}}{100} \times \text{Net profit before commission}$$

Case (ii) Manager's commission is provided on net profit after charging such commission

$$= \frac{\text{Rate}}{100 + \text{Rate}} \times \text{Net profit before commission}$$

11

Interest on Capital

- Add in Capital (liability side of B/s)
- Dr. side in P+L A/c

* If it is given in Trial Balance

→ Dr. side in P+L A/c

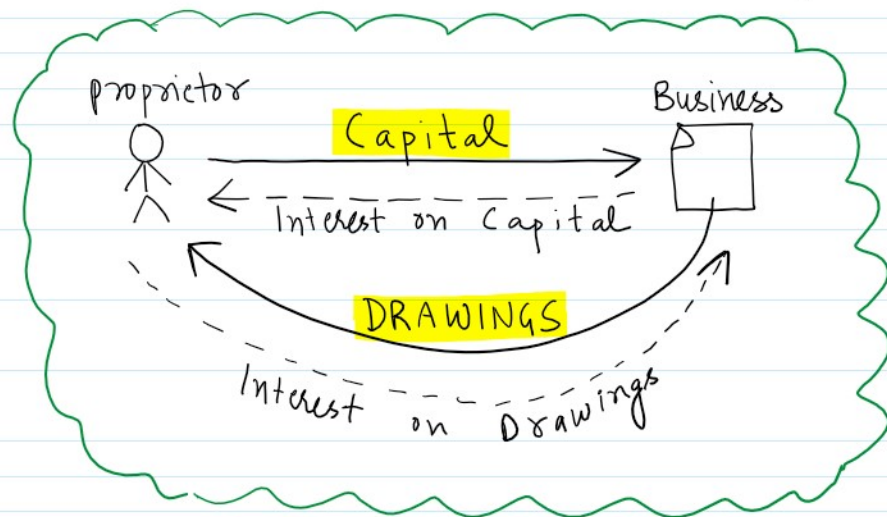
12

Interest on drawings

- Less in Capital
- Cr. side in P+L A/c

* If it is given in Trial Balance

→ Cr. side in P+L A/c



13

Goods distributed as free samples

- Dr. in P+L A/c
- * Less from **Purchases**

14

Goods taken by proprietor for personal use

(14)

Goods taken by proprietor for personal use

- ↳ Less in Capital
- ↳ Less from **Purchases**

(15)

Goods distributed among staff as welfare expense

- ↳ Dr. side in P+L A/c (Staff welfare expense)
- ↳ Less from **Purchases**

(16)

Goods lost by fire or theft (Abnormal loss)

eg:- Goods lost by fire £ 10,000 . Insurance company accepted 40% claim. £ 4,000

Sol:-

Dr		Trading A/c		Cr	
To Purchase xxx					
→ (-) Goods lost (10,000)		OR	By Goods lost		10,000

Dr		P+L A/c		Cr	
To Goods lost 10,000					
(-) Insurance claim (4,000)		6,000			

B/S		Asset	
		Insurance company	4,000

(17)

100%

IMPLIED ADJUSTMENT

(V. Imp)

अपने आय (इस)

eg ① Interest

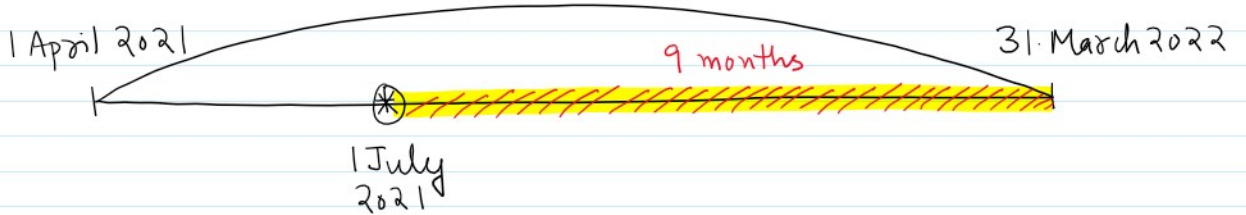
TB (31 March 2022)		Dr	Cr
10% Bank loan (1 st July 2021)		-	100,000
Interest paid		1,500	

10% Bank loan (1 July 2021)	100,000
Interest paid	1,500

Sol:-

Dr	P&L A/c	Cr
To Interest paid 1,500		
(+) O/S Interest 6,000	7,500	

B/S	
10% Bank loan	1,00,000
O/S Interest	6,000



$$\text{Interest on Bank loan} = \frac{10}{100} \times 100,000 \times \frac{9}{12} = 7,500$$

(interest pay करना चाहिए)

$$\text{interest paid (given)} = 1,500$$

$$\text{O/S Interest} = 6,000$$

- Add in respective expense
- liability side in B/S

eg (2)

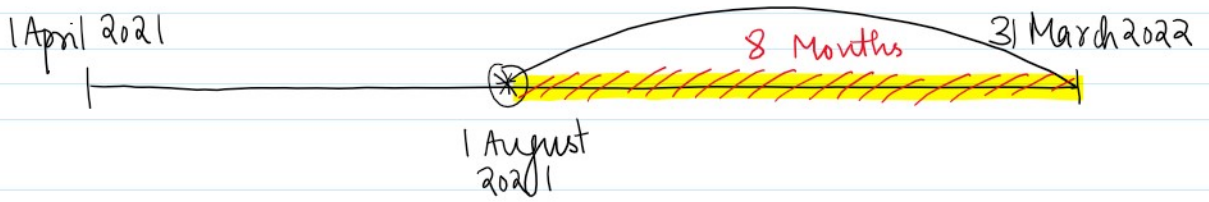
TB	Dr	Cr
8% Loan to Sonu (1 st August 2021)	600000	-
Interest received	-	3,000

Sol:-

Dr	P&L A/c	Cr
	By Interest rec'd 3000	
	(+) Int. Accrued 29000	32000

B/S	
	8% loan to Sonu 600000

B/S			
		8% loan to sonu	600000
		Interest Accrued	29000



$$\text{Int on loan} = 600,000 \times \frac{8}{100} \times \frac{8}{12} = 32000$$

(interest मिलना चाहिए)

$$\text{interest received (given)} = 3000$$

Interest Accrued = 29000

- Add in respective income
- Asset side in B/S

eg ③

TB		Dr	Cr
Salaries (11 months)		220000	

Sol:-

Dr		P&L A/c		Cr	
To Salaries	220000				
(+) O/S Salary	20000	240000			

B/S			
O/S Salary	20,000		

* 1 month Salary is Outstanding = $\frac{220,000}{11}$

= 20,000

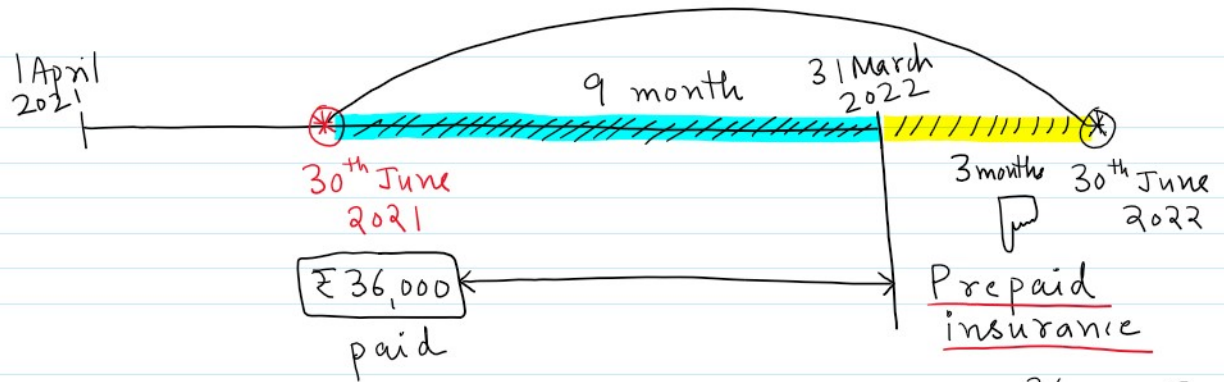
eg (4)

TB		Dr	Cr
Insurance premium (upto 30 th June 2022)		36,000	-

Sol:-

Dr		P&L A/c		Cr
To Insurance	36,000			
(-) Prepaid	<u>9,000</u>	27,000		

B/S			
		Prepaid Insurance	9,000



- ↳ Less in respective expense
- ↳ Asset side in B/S

= $\frac{36000}{12} \times 3$
= 9000

x ——— x ——— x ——— x ——— x ——— x ——— x ——— x ——— x

3. Following Trial Balance has been extracted from the books of Prasad as on 31st March, 2022:

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Machinery	2,40,000	Capital	9,00,000
Cash at Bank	1,00,000	Sales	16,00,000
Cash in Hand	50,000	Sundry Creditors	4,50,000
Wages	1,00,000	Interest Received	30,000
Purchases	8,00,000		
Stock on 1st April, 2021 (opening)	6,00,000		
Sundry Debtors	4,40,000		
Bills Receivable	2,90,000		

Sundry Debtors	4,40,000	
Bills Receivable	2,90,000	
Rent	45,000	
Commission	25,000	
General Expenses	80,000	
Salaries	50,000	
Furniture	1,60,000	
	29,80,000	29,80,000

Additional Information:

- (i) Outstanding salaries were ₹ 45,000.
- (ii) Depreciate Machinery at 10%. ⇒ 24,000
- (iii) Wages outstanding were ₹ 5,000.
- (iv) Rent prepaid ₹ 10,000.
- (v) Provide for interest on capital @ 5% per annum. ⇒ $\frac{5}{100} \times 9,00,000 = 45,000$
- (vi) Stock on 31st March, 2022 ₹ 8,00,000.

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2022 and Balance Sheet as at that date.

[Gross Profit—₹ 8,95,000; Net Profit—₹ 6,50,000; Balance Sheet Total—₹ 20,50,000.]

Dr.		Trading A/c		Cr.	
To Wages	1,00,000			By Sales	16,00,000
(+) Outstanding	5,000	105,000		By closing stock	8,00,000
To purchases		800,000			
To opening stock		600,000			
To GROSS PROFIT (bal..)		8,95,000			
		24,00,000			24,00,000

Dr.		P&L A/c		Cr.	
To depreciation	24,000			By Gross Profit	8,95,000
To Rent	45,000			By Interest received	30,000
(-) prepaid	(10,000)	35,000			
To Commission		25,000			
To General expenses		80,000			
To Salaries	50,000				
(+) Outstanding	45,000	95,000			
To Interest on Capital		45,000			

To Interest on Capital	45,000	
To Net profit (bal.)	621,000	
	925,000	925,000

Balance Sheet

Capital	900,000		Machinery	240,000	
(+) Interest	45,000		(-) Depreciation (24,000)		216,000
(+) Net profit	621,000	15,66,000	Cash at Bank		100,000
Outstanding Salaries	45,000		Cash in hand		50,000
Outstanding Wages	5,000		Sundry debtors		440,000
Sundry Creditors	450,000		Bills Receivable		290,000
			Prepaid Rent		10,000
			Closing Stock		800,000
			Furniture		160,000
		20,66,000			20,66,000

✓ Following are the balances extracted from the books of Narain on 31st March, 2022:

Particulars	₹	Particulars	₹
Narain's Capital	3,00,000	Sales	15,00,000
Narain's Drawings	50,000	Sales Return	20,000
Furniture and Fittings*	26,000	Discount (Dr.) <i>allowed</i>	16,000
Bank Overdraft	42,000	Discount (Cr.) <i>Received</i>	20,000
Creditors	1,38,000	Insurance*	20,000
Building*	2,00,000	General Expenses	40,000
Stock on 1st April, 2021	2,20,000	Salaries*	90,000
Debtors*	1,80,000	Commission (Dr.)	22,000
Rent from Tenants <i>income</i>	10,000	Carriage on Purchases (<i>Carriage Inward</i>)	18,000
Purchases	11,00,000	Bad Debts Written off <i>old</i>	8,000

Additional Information:

- (i) Closing Stock at cost as on 31st March, 2022 was ₹ 2,00,600, whereas its Net Realisable Value (Market Value) was ₹ 2,05,000. (LOWER)
- (ii) Depreciate: Building by ₹ 3,000 and Furniture and Fittings by ₹ 2,500.
- (iii) Make a provision of 5% on debtors for doubtful debts. closing P.D.D = $\frac{5}{100} \times 1,80,000 = 9,000$ → Prepaid
- (iv) Carry forward ₹ 2,000 for unexpired insurance. = 9,000
- (v) Outstanding salary was ₹ 15,000.

Prepare Trading and Profit & Loss Account for the year and Balance Sheet as at that date.

[Gross Profit—₹ 3,42,600; Net Profit—₹ 1,49,100; Balance Sheet Total—₹ 5,94,100.]

- [Hints: 1. Closing Stock will be taken at ₹ 2,00,600, being lower of Cost and Net Realisable Value (Market Value) following the Prudence Concept.
2. ₹ 2,000 out of Insurance Expenses are Prepaid Insurance.]

Dr.	Trading A/c		Cr.
To Opening Stock	2,20,000	By Sales	15,00,000
To purchases	11,00,000	(-) Sales Return (20,000)	14,80,000
To Carriage on purchase	18,000	By closing stock	2,00,600
To Gross profit (bal..)	3,42,600		
	16,80,600		16,80,600

Dr.	P&L A/c		Cr.
To depreciation (F & F)	2,500	By Gross profit	3,42,600
To depreciation (Building)	3,000	R.. Rent from tenants	10,000
To Bad debts (old)	8,000		

To depreciation (Building)	3,000		
To Bad debts (old)	8,000		
(+) New Bad debts	0		
(+) Closing P.D.D	9,000		
(-) Opening P.D.D	(0)	17,000	
To discount allowed		16,000	
To Insurance	20,000		
(-) Prepaid	(2,000)	18,000	
To General expenses		40,000	
To Salaries	90,000		
(+) Outstanding	15,000	105,000	
To Commission		22,000	
To Net profit (bal..)		149,100	
		372,600	
			372,600

Balance Sheet

Capital	300,000		
(-) Drawings	(50,000)		
(+) Net profit	149,100	399,100	
Bank Overdraft		42,000	
creditors		138,000	
Outstanding salaries		15,000	
		594,100	
Furniture + Fittings	26,000		
(-) Depreciation	(2,500)		23,500
Building	200,000		
(-) Depreciation	(3,000)		197,000
Debtors	180,000		
(-) closing P.D.D	(9,000)		171,000
Prepaid Insurance			2,000
closing Stock			2,00,600
			594,100

8. Following balances are taken from the books of Niranjana. Prepare Trading and Profit & Loss Account for the year ended 31st March, 2022 and Balance Sheet as on that date:

Particulars	₹	Particulars	₹
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 — Indirect	20,000
Salaries*	2,40,000	Wages*	4,00,000
Bad Debts	10,000	6% Investments* (1 st July)	5,00,000
Sundry Debtors*	4,00,000	Sundry Creditors — Interest मिलाता यदि	1,90,000
Bills Payable	8,000	Cash — $= 500000 \times \frac{6}{100} \times \frac{9}{12}$	1,22,000
Advertisement Expenses	60,000	Miscellaneous Income — $= 22500$	12,000
Patents	48,000		

Adjustments:

$$\frac{2}{100} \times 332,500 = 6650$$

- (i) Closing Stock ₹ 7,50,000.
- (ii) Depreciate Machinery by 10% and Furniture by 20%.
- (iii) Wages ₹ 50,000 and salaries ₹ 20,000 are outstanding.
- (iv) Write off ₹ 50,000 as further Bad Debts and create 5% Provision for Doubtful Debts. Also, create Provision for Discount on Debtors @ 2%.
- (v) Investments were made on 1st July, 2021 and no interest has been received so far.
- [Gross Profit—₹ 12,20,000; Net Profit—₹ 7,38,350; Balance Sheet Total—₹ 19,96,350.]

$$\text{closing P.D.D} = \frac{5}{100} \times 350,000 = 17,500$$

Dr		Trading A/c		Cr	
To Opening stock	450,000	By Sales	43,50,000		
To Purchase	29,50,000	(-) Return	(70,000)	42,80,000	
(-) Purchase Return	(40,000)				
To Wages	400,000	By closing stock	75,000		
(+) b/s wages	50,000				
	450,000				
To Gross Profit	12,20,000				
	50,30,000				50,30,000

Dr		P&L A/c		Cr	
To Depreciation (furniture)	3,000	By Gross profit	12,20,000		
To Rent	50,000	By Misc Income	12,000		
To depreciation (machine)	24,000	By Interest	0		
To Salaries	2,40,000	(+) Accrued Interest	22,500	22,500	
(+) Outstanding	20,000				
	260,000				
To Bad debt (old)	10,000				
(+) New Bad debt	50,000				
(+) Closing P.D.D	17,500				
	77,500				
To Provision for discount	6650				
	84,150				

(+) Closing P.D.D	17,500	77,500	
To provision for discount		6,650	
To Advertisement		60,000	
To Insurance		15,000	
To Trade expense		20,000	
To Net Profit		7,38,350	
		12,54,500	1254500

Balance Sheet

Capital	12,00,000		Furniture	15,000	
(-) Drawings	(2,10,000)		(-) Depreciation (3000)		12,000
(+) Net profit	<u>7,38,350</u>	17,28,350	Debtors	400,000	
Outstanding Salary		20,000	(-) New Bad debt (50,000)		
Bills payable		8,000	(-) Closing PDD (17,500)		
Outstanding Wages		50,000	(-) provision for discount (6,650)		325,850
Outstanding creditors		<u>1,90,000</u>	Patents		48,000
			Plant & Machine 240000		
			(-) Depreciation (24000)		216,000
			6% Investment		500,000
			Accrued Interest		22,500
			Cash		122,000
			closing stock		750,000
		<u>19,96,350</u>			<u>19,96,350</u>

9. From the following Trial Balance of Mahesh, prepare his Final Accounts for the year ended 31st March, 2022:

Heads of Accounts	L.F.	Debit Balances ₹	Credit Balances ₹
Purchases*		2,50,000	...
Sales		...	5,00,000
Returns Inward —		12,000	...
Returns Outward —		...	10,000
Carriage — (Inward)		8,000	...
Wages —		60,000	...
Miscellaneous Expenses*		2,000	...
Insurance —		1,200	...
Repairs —		8,000	...
Debtors —		1,15,000	...
Creditors —		...	1,00,000
Printing and Stationery —		6,000	...
Advertisement —		15,000	...
Bills Receivable —		4,000	...
Bills Payable —		...	2,000
Opening Stock —		30,000	...
Cash in Hand —		12,000	...
Interest on Bank Loan		2,800	...
Machinery —		2,80,000	...
Furniture —		34,000	...
Drawings —		15,000	...
Income tax paid — "Drawings"		5,000	...
Commission*		...	1,000
12% Bank Loan		...	30,000
Capital*		...	2,40,000
Rent Received*		...	5,000
Cash at Bank		28,000	...
Total		8,88,000	8,88,000

Additional Information:

- (i) Closing Stock on 31st March, 2022 was ₹ 21,000.
- (ii) Rent of ₹ 1,200 has been received in advance.
- (iii) Outstanding liability for Miscellaneous expenses is ₹ 12,000.
- (iv) Commission earned during the year but not received was ₹ 2,100. Accrued
- (v) Goods costing ₹ 2,000 were taken by the proprietor for his personal use but entry was not passed in the books of account.

[Gross Profit—₹ 1,73,000; Net Profit—₹ 1,32,100; Balance Sheet Total—₹ 4,96,100.]

Dr		Trading A/c		Cr	
To Opening stock	30,000	By Sales	5,00,000		
To Carriage	8,000	(-) Return Inward	(12,000)	4,88,000	
To Purchase	2,50,000				
(-) Goods withdrawn	(2,000)				
(-) Return outward	(10,000)	By closing stock		21,000	
	2,38,000				

10 ruo musc	4,50,000			
(-) Goods withdrawn	(2,000)	238,000	By closing stock	21,000
(-) Return outward	(10,000)			
To Wages		60,000		
To Gross profit (bal..)		1,73,000		
		<u>5,09,000</u>		<u>5,09,000</u>

Dr	P&L A/c	Cr		
To Insurance	1200	By Gross profit	173000	
To Repairs	8000			
To printing	6000	By Commission	1,000	
To Advertisement	15000	(+) Accrued	<u>2,100</u>	3,100
To Int. on Bank loan 2800				
(+) Outstanding Interest 800	<u>3,600</u>	By Rent	5,000	
		(-) Advance	<u>(1,200)</u>	3,800
To Misc expense 2,000				
(+) O/S M. expense <u>12,000</u>	14,000			
To Net profit (bal..)	132,100			
	<u>179,900</u>			<u>179,900</u>

Balance Sheet

Liabilities	₹	Asset	₹
Creditors	100,000	Debtors	115,000
B/P	2,000	B/R	4,000
Capital 240,000		Cash in hand	12,000
(-) Drawings (15,000)		Machine	280,000
(-) Income tax paid (5,000)		Furniture	34,000
(-) Goods withdrawn (2,000)	350,100	Accrued Commission	2,100
(+) Net profit 132,100		Cash at Bank	28,000
12% Bank loan	30,000		

12% Bank loan	30,000	Accrued Commission	2,100
Outstanding Interest	800	Cash at Bank	28,000
Rent received in advance	1,200	Closing Stock	21,000
o/s Misc expense	12,000		
	4,96,100		4,96,100

11. From the following Trial Balance of **Shubho**, prepare Trading and Profit & Loss Accounts for the year ended 31st March, 2022 and Balance Sheet as at that date:

Heads of Accounts	L.F.	Debit Balances ₹	Credit Balances ₹
Land and Building (*)		50,000	...
Purchases (Adjusted)	op. stock + Net purchases - cl. stock	→ 2,07,500	...
Stock (31st March, 2022)	closing stock	→ 45,000	...
Wages		→ 45,300	...
Salaries (*)		→ 39,000	...
Office Expenses		→ 15,400	...
Carriage Inwards	Direct	→ 1,200	...
Carriage Outwards	Indirect	→ 2,000	...
Discount allowed		→ 750	...
Discount received		...	→ 1,200
Bad Debts	old	→ 1,200	...
Sales		...	→ 3,83,500
Capital Account		...	→ 1,15,000
Chatterji's Loan A/c (Taken on 1st Oct., 2021 @ 18% p.a.)	Int. on loan = $25000 \times \frac{18}{100} \times \frac{6}{12}$ = 2250	...	→ 25,000
Insurance (*)		→ 1,500	...
Commission		...	→ 1,500
Plant and Machinery (*)		→ 50,000	...
Furniture and Fixtures (*)		→ 20,000	...
Bills Receivable		→ 20,000	...
Sundry Debtors (*)		→ 40,000	...
Sundry Creditors		...	→ 25,000
Cash at Bank		16,000	...
Office Equipments (*)		12,000	...
Bills Payable		...	→ 12,350
Expenses Payable		...	→ 3,300
Total		5,66,850	5,66,850

The following adjustments be made:

The following adjustments be made:

(i) Depreciate Land and Building @ 6%, Plant and Machinery @ 10%, Office equipments @ 20% and Furniture and Fixtures @ 15%. $\rightarrow 40000 \times \frac{2}{100} = 800$

(ii) Create Provision for Doubtful Debts at 2% on Sundry Debtors.

(iii) Insurance includes ₹ 250 Insurance Premium paid in advance.

(iv) Provide salary to Shubho ₹ 15,000 p.a. "Same as Interest on Capital"

(v) Outstanding Salaries ₹ 11,500.

(vi) 10% of the net profit is to be transferred to General Reserve.

[Gross Profit—₹ 1,29,500; Net Profit—₹ 26,685; Balance Sheet Total—₹ 2,39,050.]

Dr	Trading A/c		Cr
To Adjusted purchase	207500	By Sales	383500
To Wages	45300		
To Carriage Inward	1200		
To Gross profit (bal.)	129,500		
	383500		383500

Dr	P+L A/c		Cr
To Depreciation	5000	By Gross profit	129,500
To depreciation	3,000		
To O/S Interest	2,250		
To Salaries 39,000		By discount received	1200
(+) O/S salary 11,500		By Commission	1500
(+) Salary to Shubho 15,000	65,500		
To Depreciation	3,000		
To office expenses	15,400		
To Carriage outward	2,000		
To discount allowed	750		
To Bad debt (old) 1200			
(+) Closing P. D. D 800	2,000		
To Insurance 1500			
(-) Prepaid (250)	1250		
To depreciation	2400		
To General Reserve (29,650 x 10%)	2965		
To Net profit (29650 - 2965)	26,685		
	132,200		132,200

132,200

139,200

Balance Sheet

Liabilities	₹	Assets	₹
O/s Salary	11,500	Bills Receivable	20,000
O/s Interest	2,250	Land & Bldg	50,000
Capital	115,000	(-) Dep'n	(3,000)
(+) Net Profit	26,685	Closing Stock	45,000
(+) Shubho Salary	15,000	Prepaid Insurance	250
	156,685	Plant & Machine	50,000
Bills Payable	12,350	(-) Depreciation	(5,000)
Chatterjee Loan A/c	25,000	Furniture	20,000
Creditors	25,000	(-) Depreciation	(3,000)
Expense Payable	3,300	Debtors	40,000
General Reserve *	2,965	(-) Closing PDD	(800)
		Cash at Bank	16,000
		Office Equipment	12,000
		(-) Dep'n	(2,400)
			9,600
	2,39,050		2,39,050

12. Prepare Trading and Profit & Loss Account for the year ending on 31st March, 2022 and Balance Sheet as on that date from the following balances of Trial Balance:

Particulars	₹	Particulars	₹
Debit Balances		Credit Balances	
Drawings	10,000	Capital	1,00,000
Machinery	50,000	Returns Outward	1,000
Stock	25,000	Provision for Doubtful Debts	2,000
Purchases	90,000	Creditors	30,000
Returns Inward	2,000	Bills Payable	7,700
Furniture	10,000	Sales	1,28,000
Carriage	2,000	General Reserve	20,000
Rent, Rates and Taxes	5,000		
Printing and Stationery	1,000		
Office Expenses	1,200		
Bad Debts	1,500		
Sundry Debtors	40,000		

Adjustments:

(i) The value of stock on 31st March, 2022, ₹ 40,000.

$$40,000 \times \frac{5}{100} = 2,000$$

(ii) Provision for Doubtful Debts is to be maintained at 5% on Sundry Debtors.

(i) The value of stock on 31st March, 2022, ₹ 40,000.

$$40000 \times \frac{5}{100} = 2000$$

(ii) Provision for Doubtful Debts is to be maintained at 5% on Sundry Debtors.

(iii) Charge depreciation on both Furniture and Machinery @ 10% p.a.

(iv) Machinery costing ₹ 20,000 was purchased on 1st January, 2022.

(v) Allow interest on capital @ 5% p.a.

(vi) A fire occurred on 20th March, 2022 and stock of the value of ₹ 7,000 was destroyed.

It was fully insured and the insurance company admitted the claim in full. 7000

(vii) 10% of net profit to be carried to General Reserve.

[Gross Profit—₹ 52,000; Net Profit—₹ 29,520; Balance Sheet Total—₹ 1,85,500.]

Dr	Trading A/c	Cr
To Opening stock	25,000	
To Purchases 90,000		By Sales 128,000
(-) Goods lost (7,000)		(-) Sales Return (2,000)
(-) Purchase Return (1,000)	82,000	
To Carriage	2,000	By closing stock
To wages & Salaries	5,000	40,000
To Gross Profit (bal..)	52,000	
	166,000	166,000

Dr	P & L A/c	Cr
To depreciation (Machine)	5,000	
To Interest on Capital	5,000	By Gross profit
To Goods lost	7,000	52,000
(-) Insurance claim (7,000)	Nil	
To depreciation	1,000	
To Rent + Rates	5,000	
To Printing	1,000	
To office expense	1,200	
To Bad debt (old) 1500		
(+) Closing P.D.D 2,000		
(-) Opening P.D.D (2,000)	1,500	
To discount	1,000	
To General Reserve (32,800 x 10%)	3,280	
To Net profit (32,800 - 3,280)	29,520	
	52,000	52,000

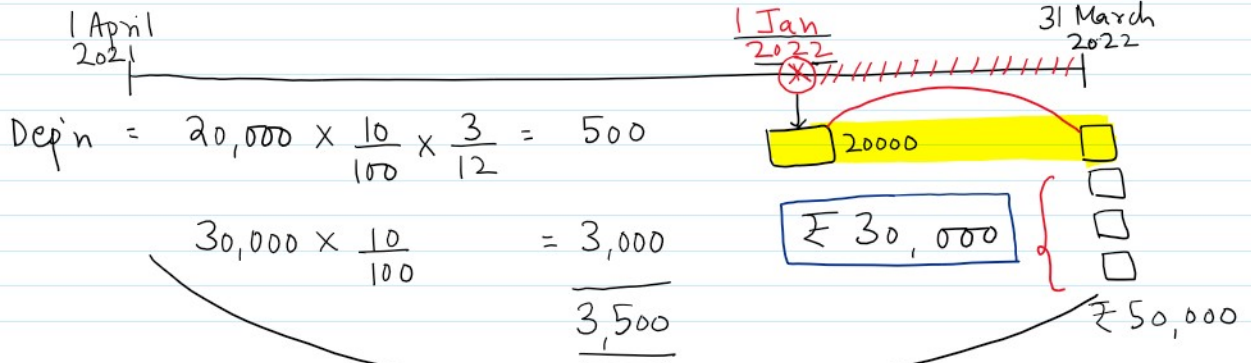
52,000

52,000

Balance Sheet

Liabilities		₹	Assets		₹
Capital	100,000		Machine	50,000	
(-) Drawings	(10,000)		(-) Dep'n	(5,000)	46,500
(+) Interest	5,000			(3500)	
(+) Net profit	29,520	124,520	Insurance company		7,000
			Furniture	10,000	
			(-) Dep'n	(1,000)	9,000
Creditors		30,000	Debtors	40,000	
B/P		7,700	(-) closing P.D.D	(2,000)	38,000
General Reserve	20,000		BR		7,000
(+) Transfer	3,280	23,280	Cash in hand		6,000
			Cash at Bank		32,000
			Closing stock		40,000
		185,500			185,500

WN:-



From the following Trial Balance of Narain as at 31st March, 2022, prepare Trading and Profit & Loss Account and Balance Sheet:

Debit Balances	₹	Credit Balances	₹
Opening Stock	15,500	Capital	70,000
Land and Building*	35,000	Loan from Mrs. Narain @ 9% p.a.*	30,000
Machinery*	50,000	Sundry Creditors	9,600
Furniture and Fixtures*	5,000	Purchases Return	2,100
Purchases	1,06,000	Sales	2,07,300
Salaries	11,000	Discount Received	1,200
General Expenses*	2,500		
Rent	3,000		

General Expenses*	2,500		
Rent	3,000		
Courier Expenses	1,400		
Stationery	1,300		
Wages*	26,000		
Freight on Purchases	2,800	Direct	
Carriage on Sales	4,000	Indirect	
Repairs	4,500		
Sundry Debtors*	30,000		
(including Mohan for dishonoured bill of ₹800)			
Bad Debts	600		
Cash in Hand	4,100		
Cash at Bank	12,400		
Sales Return	5,100		
	3,20,200		3,20,200

Interest = $30,000 \times \frac{9}{100} \times \frac{6}{12} = 1350$

Following further information is given:

- (i) Wages for March, 2022, ₹ 2,100 have not yet been paid. Outstanding
- (ii) General Expenses includes Insurance Premium of ₹ 600 paid for the next year. Prepaid
- (iii) Half the amount of Mohan's Bill is irrecoverable. Create a Provision for Doubtful Debts @ 5% on other debtors. closing P.D.D
- Debtors @ 5% on other debtors. 29,200 (Bad debt) ₹ 400
 $\frac{5}{100} \times 29,200 = 1460$
- (iv) Depreciation is to be charged on:
 Land and Building @ 2%, Machinery @ 10% and Furniture and Fixtures @ 15%.
- (v) Loan from Mrs. Narain was taken on "1st October, 2021". Interest has not yet been paid. (outstanding)
- (vi) Value of stock at hand on 31st March, 2022 was ₹ 14,900. Case (iii)
- (vii) Manager is to get commission of 10% of the profit "after charging" such commission. RATE

Dr.	Trading A/c	Cr
To Opening stock	15,500	By Sales 207,300
To Purchases 106,000		(-) Sales Return (5100)
(-) Purchase Return (2,100)	103,900	202,200
To Wages 26,000		By closing stock
(+) Outstanding wages 2,100	28,100	14,900
To Freight 2,800	2,800	
To Gross Profit (bal.)	66,800	
	217,100	217,100

Dr.	P&L A/c	Cr
To Repairs 4500		By Gross profit 66,800
To Depreciation 6450		

To Repairs	4,500	By Gross profit	66,800
To Depreciation (700 + 5000 + 750)	6,450		
To Salaries	11,000	By discount received	1,200
To G. expenses 2,500			
(-) prepaid insurance (600)	1,900		
To Rent	3,000		
To Courier expense	1,400		
To Stationery	1,300		
To Carriage on Sales	4,000		
To Bad debt (old) 600			
(+) New Bad debt 400			
(+) Closing P. D. D 1,460	2,460		
To Outstanding Interest	1,350		
To Manager's Commission $\left\{ \frac{10}{110} \times 30,640 \right\}$	2,785		
To Net profit (30,640 (-) 2,785)	27,855		
	68,000		68,000

Balance Sheet

Liabilities	₹	Assets	₹
Outstanding Wages	2,100	Land & Building 35,000	
Capital 70,000		(-) Depreciation (700)	34,300
(+) Net profit 27,855	97,855	Machinery 50,000	
		(-) Depreciation (5,000)	45,000
		Cash in hand	4,100
		Furniture 5,000	
		(-) Depreciation (750)	4,250
Loan from Mrs Narain	30,000	Prepaid Insurance	600
Outstanding Interest	1,350	Sundry debtors 30,000	
Creditors	9,600	(-) New Bad debt (400)	
O/S Manager's Commission	2,785	(-) Closing P. D. D (1,460)	28,140
		Cash at Bank	12,400
		Closing stock	14,900
	143,690		143,690