

Illustration 14: Shri Vimal Zaveri prepared the following trial balance on 31st March, 2023. You are requested to prepare his Trading and Profit & Loss Account for the year ending 31/3/2023 and Balance Sheet as on that date after considering the adjustments given below:

Trial Balance as on 31/3/2023

Debit Balances	₹	Credit Balances	₹
Debtors	23,310	Creditors	20,466
Salaries	4,900	Capital	99,000
Carriage inward	3,250	Sales	1,42,034
Carriage outward	928	Rent	1,200
Land and Buildings	31,600	Bills Payable	507
Machinery	30,750	Provident Fund	4,350
Stock (1/4/2022)	34,200	Purchase Returns	500
Office Expenses	1,240	Bank Loan	12,000
Sales Returns	544	Interest on Investment of	
Furniture	9,200	Provident Fund	360
Stationery & Ptg.	990	Interest on Debentures	600
Drawings	12,795		
Bank balance	1,150		
Tools	1,000		
Taxes and Insurance	590		
Investment of Prov. Fund	3,600		
Interest on Bank Loan	240		
Freight and Octroi	260		
Contribution to P. F.	350		
Cash balance	780		
Bills Receivable	100		
12% Debentures	10,000		
Leasehold Building			
(for 10 years)	20,000		
Advertisement Suspense A/c	4,000		
Postage and Telegrams	200		
Purchases	78,740		
Wages	1,300		
Bad debts	500		
Rent	4,500		
	2,81,017		2,81,017

Adjustments:

- (1) Cost of closing stock is ₹ 21,000 but its market value is ₹ 19,707.
- (2) An advertisement campaign was taken up during the year and its expenses were debited to Suspense A/c which is to be written off over four years.
- (3) (i) Prepaid insurance ₹ 80.
(ii) Salary unpaid ₹ 240
(iii) Commission due but not received ₹ 520.
(iv) Rent received in advance ₹ 110.
- (4) Depreciate Land and Buildings at 2 1/2%, Furniture at 5% and Machinery at 10% p.a. The market value of tools was estimated at ₹ 900.
- (5) Allow interest on capital at 5%. Charge interest on Drawings ₹ 520.
- (6) Write off ₹ 310 as bad debts from Debtors.
- (7) Salaries include ₹ 900 paid to servant at home.
- (8) Rent includes ₹ 1,500 paid for residential building.
- (9) A credit sale of ₹ 1,200 was omitted to be recorded.

Solution:

Dr.

Trading Account of Shri Vimal Zaveri
for the year ended on 31/3/2023

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	34,200	By Sales	1,42,034
To Purchases	78,740	+ Unrecorded	
– Pur. Return	500	Sales	1,200
To Carriage Inward	3,250		1,43,234
To Freight and Octroi	260	– Sales Return	544
To Wages	1,300	By Closing Stock	19,707
To Gross Profit (Transf. to P & L A/c)	45,147		
	1,62,397		1,62,397

Notes:

- (1) The cost price of closing stock is ₹ 21,000, while its market price is ₹ 19,707. The closing stock should be valued at lower of the two. Hence, it is shown at ₹ 19,707 here.
- (2) Unrecorded sales of ₹ 1,200 is added to sales given on the credit side of Trading Account. The other effect will be on Debtors in Balance Sheet, where it will be added to Debtors.

Dr. Profit and Loss Account for the year ended on 31/3/2023

Particulars	₹	Particulars	₹
To Office Expenses	1,240	By Gross Profit (Transf. from P & L A/c)	45,147
To Salaries	4,900	By Rent	1,200
+ O/s salary	240	– Recd. in Advance	110
	5,140		1,090
– House servants salary	900	By Debenture Interest	600
To Tax & Insurance	590	+ Due but not Received	600
– Prepaid Ins.	80		1,200
To Rent	4,500	By Commission due but not received	520
– For Residential Building	1,500	By Interest on drawings	520
To Bad Debts	500		
+ Additional	310		
To Depreciation:			
L & B (2 1/2%)	790		
Furniture (5%)	460		
Mach. (10%)	3,075		
Tools	100		
Leasehold Building	2,000		
	6,425		
To Stationery & Printing	990		
To Postage and Telegram	200		
To Contribution to P. F.	350		
To Carriage outward	928		
To Adv. Suspense	1,000		
To Interest on Capital	4,950		
To Interest on bank loan	240		
To Net Profit (Capital A/c)	23,594		
	48,477		48,477

Balance Sheet as on 31/3/2023

Particulars	Note No.	₹	₹
[A] Liabilities:			
Capital Op. Balance		99,000	
Add: Interest on capital		4,950	
Add: Net Profit		23,594	
		1,27,544	
Less: Drawings		12,795	
home servant's Salary		900	
House rent		1,500	
Int. on drawing		520	1,11,829

Final Accounts

Bank Loan			369
Creditors			12,000
Bills payable			20,466
Unpaid salary			507
Rent Received in advance			240
Provident Fund			110
Add: Int. on Investment of P. F.	4,350		
TOTAL	360	4,710	
[B] Assets:			1,49,862
Land and Buildings			
Less: Dep. (2 1/2%)	31,600		
Leasehold Buildings	790	30,810	
Less: Dep.	20,000		
Machinery	2,000	18,000	
Less: Dep. 10%	30,750		
Furniture	3,075	27,675	
Less: Dep. 5%	9,200		
Tools	460	8,740	
Less: Dep.	1,000		
Investment of P. F.	100	900	
12% Debentures		3,600	
Debtors		10,000	
Add: Unrecorded sales	23,310		
	1,200		
	24,510		
Less: bad debts	310	24,200	
Bills Receivable		100	
Closing Stock		19,707	
Bank Balance		1,150	
Cash balance		780	
Prepaid Insurance Premium		80	
Commission receivable		520	
Advertisement Suspense	4,000		
Less: Written off	1,000	3,000	
Debenture interest not recd.		600	
TOTAL			1,49,862

Notes: (1) Depreciation of tools is the different between its opening value and closing value. Hence revaluation methods is used.

(2) As advertisement suspense account is to be written off over 4 years, one fourth of it ₹ 1,000 is written off to P & L Account and ₹ 3,000 is carried forward and shown in the Balance Sheet.

Illustration 15: Make adjusting entries in the books of Nikhil Patel from the following information:

- (1) Cost of closing stock is ₹ 4,000 but its market value is ₹ 5,000.
- (2) Rent ₹ 100 is still unpaid.
- (3) Insurance premium paid in advance ₹ 50.
- (4) Interest due but not received ₹ 100.
- (5) Out of apprentice premium of ₹ 100 received, ₹ 50 belongs to next year.
- (6) Furniture is to be depreciated at 5%. It is valued at ₹ 8,000.
- (7) Allow interest on capital of ₹ 40,000 at 5% p. a. and charge interest for 2 months on drawings of ₹ 5,000 at 6% p.a.
- (8) ₹ 500 is due from Sunil, but it is to be written off as bad debts as he is declared insolvent.

Solution: Adjusting Entries in Nikhil Patel's Journal

No.	Particulars	L. F.	Dr. ₹	Cr. ₹
(1)	Closing Stock Account Dr. To Trading Account (Closing stock brought into books at its cost which is lower than the market price.)		4,000	4,000
(2)	Rent Account Dr. To Outstanding Rent Account (Adjusting entry for rent unpaid)		100	100
(3)	Prepaid Ins. Premium Account Dr. To Insurance Premium Account (Adjusting entry for Ins. Prem. paid in advance)		50	50
(4)	Interest Accrued Account Dr. To Interest Account (Adjusting entry for int. due but not received.)		100	100
(5)	Apprentice Premium A/c Dr. To Apprentice premium Suspense A/c (Adjusting entry for apprentice premium received in advance.)		50	50
(6)	Depreciation Account Dr. To Furniture Account (Depreciation provided on furniture)		400	400

Final Accounts

(7)	Interest on Capital Account			371
(a)	To Capital Account	Dr.	2,000	
	(Adjusting entry for interest allowed on capital of ₹ 40,000 at 5% p.a.)			2,000
(7)	Drawings Account			
(b)	To Interest on Drawings Account	Dr.	50	
	(Adjusting entry for interest on Drawings)			50
(8)	Bad Debts Account			
	To Debtors Account (Sunil)	Dr.	500	
	(Bad debts written off)			500
	Total		7,250	7,250

Note: Stock is valued at cost price as it is lower than the market price.

Illustration 16: The following is the Trail Balance of Shri Palak Sheth as on 31st March, 2023.

Debit Balances		₹	Credit Balances		₹
Cash on hand		540	Interest on Bank deposits		200
Cash at Bank		10,630	Sales		98,580
Deposits in Bank		2,000	Goods Returns (Debit)		500
Purchases		40,675	Bills Payable		900
Goods Returns (Credit)		680	10% Mortgage loan		10,000
Wages & Freight etc.		10,480	Commission received		100
Coal and Power		4,730	Discount		400
Bills Receivable		1,000	Capital		81,000
Packing expenses		3,200	Sundry Creditors		5,800
Carriage Inward		2,040			
Interest on Mortgage loan		400			
Stock of Goods (1/4/2022)		5,760			
Buildings		30,000			
Land		9,000			
Machines		20,000			
Tools		7,500			
Salary (upto 28/2/2023 paid)		14,300			
Printing & Stationery		900			
Postage and Telegram		400			
Purchases Expenses		800			
Trade Expenses		200			
Offices Expenses		900			
Insurance		600			
Drawings		15,245			
Sundry Debtors		15,500			
		1,97,480			1,97,480

Prepare Trading and Profit & Loss Account, taking into account the following adjustments:

- (1) The cost of closing stock ₹ 6,800 but its market price is ₹ 7,000.
- (2) Depreciate Machinery at 10%, furniture by 10% and tools by 20%.
- (3) Write off ₹ 500 as bad debts from debtors.
- (4) Commission due but not received ₹ 194.
- (5) Insurance Premium of ₹ 170 is paid on a policy upto 30/9/2023.
- (6) ₹ 2,000 spent on construction of bicycle shed for employees is included in wages.
- (7) Maintain bad debts reserve at 5% on debtors and create reserve for discount on debtors and creditors at 2%.
- (8) Goods worth ₹ 200 are distributed free as samples and goods of ₹ 100 are given away as charity.
- (9) On 1/10/2022 he brought his personal furniture worth ₹ 5,000 in the business. Which is not recorded in the books of account.

(Sau. Uni., F.Y.B.B.A., April, 2000)

Solution:

Trading Account of Shri Palak Sheth

Dr.

for the year ended on 31/3/2023

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	5,760	By Sales	98,580
To Purchases	40,675	– Sales Return	680
– Pur. Return	500	By Goods given as free	
Wages & Freight	10,480	Samples	200
– Exp. of Bicycle	2,000	By Goods given in Charity	100
To Coal and Power	4,730	By Closing stock	6,800
To Carriage inward	2,040		
To Expenses of Purchases	800		
To Gross Profit (Transf. to P & L A/c)	43,015		
	1,05,000		1,05,000

Dr.

Profit and Loss Account of Shri Palak Sheth

Cr.

for the year ended 31/3/2023

Particulars	₹	Particulars	₹
To Salaries	14,300	By Gross Profit (Transf. from P & L A/c)	43,015
+ Unpaid	1,300	By Commission	100
To Insurance	600	+ Not Recd.	194
– Prepaid	85	By Discount	400
To Interest on Mortgage loan	400	By Reserve for discount on Creditors 2%	116
+ Unpaid	600		
	10,000		

Final Accounts

To Depreciation:			By Interest on Bank Deposits	200
Machines 10%	2,000			
Tools 20%	1,500			
Furniture				
(6 M)10%	250	3,750		
To B. D. (new)	500			
+ B. D. R. 5%	750	1,250		
To Printing & Stationery		900		
To Postage & Telegram		400		
To Offices expenses		900		
To Trade Exps.		200		
To Packing Expenses		3,200		
To Advertisement Exp.				
(Goods given as free sample)		200		
To Reserve for discount on debtors at 2%		285		
To Charity		100		
To Net Profit (Transfer to Capital A/c.)		15,725		
		44.025		44.025

Balance Sheet of Shri Palak Sheth as on 31/3/2023

Particulars	Note No.	₹	₹
[A] Liabilities:			
Capital: Opening Balance		81,000	
Add: Net Profit		15,725	
Add: Personal furniture		5,000	
		1,01,725	
Less: Drawings		15,245	86,480
Bills Payable			900
Sundry Creditors		5,800	
Less: Reserve for discount 2%		116	5,684
Unpaid Salary			1,300
10% Mortgage loan			10,000
Unpaid interest on mortgage loan			600
TOTAL			1,04,964

[B] Assets:			
Land			9,000
Buildings		30,000	
Add: Cycle shed		2,000	32,000
Machinery		20,000	
Less: Depreciation		2,000	18,000
Tools		7,500	
Less: Depreciation		1,500	6,000
Furniture		5,000	
Less: Dep.		250	4,750
Closing stock			6,800
Debtors		15,500	
Less: Bad debts (new)		500	
		15,000	
Less: B. D. R. 5%		750	
		14,250	
Less: Reserve for discount 2%		285	13,965
Bills Receivable			1,000
Deposits in Bank			2,000
Bank Balance			10,630
Cash Balance			540
Prepaid Insurance			85
Commission not received			194
TOTAL			1,04,964

Notes:

- (1) The mortgage loan carries 10% interest p.a. and interest for the whole year comes to ₹ 1,000. But only ₹ 400 is shown in Trial Balance. Hence ₹ 600 for interest is still payable for which an adjustment must be made.
- (2) Salaries of ₹ 14,300 is paid for 11 months upto 28/2/2023 only. It is paid at ₹ 1,300 p.m. While salary for March, 2023 ₹ 1,300 is not paid. An adjustment is made for it.
- (3) Personal furniture brought in business is treated as capital. Hence ₹ 5,000 is added to capital. Besides it is brought in business on 1/10/2022. Hence depreciation on furniture is calculated for 6 months ₹ 250 upto 31/3/2023.
- (4) As the market price is more than the cost price, we have shown Stock at cost.

Final Accounts

Illustration 17: The following is the trial balance of Shri Vishesh as on 31/12/2022. Prepare Final Accounts from the information given as under:

Names of Account	Debit ₹	Credit ₹
Printing and Stationery	500	—
Opening Stock	30,000	—
Drawings and Capital	10,000	89,000
Purchases and Sales	60,000	1,20,000
Debtors and Creditors	55,000	37,000
Plant and Machinery	40,000	—
Building on Lease (From 1/7/2022 for 5 years)	40,000	—
Repairs	500	—
Goods returned	1,000	500
Discount	220	600
Interest on Bank Overdraft	80	—
Wages, Carriage and Octroi	5,200	—
Salesman's Commission	600	—
Bad debts and Bad debts reserve	400	1,900
Salary	5,000	—
Insurance, Rates and Taxes	800	—
Cash and Bank Balance	500	800
	2,49,800	2,49,800

Adjustments:

- (1) The Closing Stock is valued at ₹ 20,000 and includes damaged goods worth ₹ 4,000 which is estimated to realise ₹ 2,000.
- (2) Depreciate plant and machinery at 10%.
- (3) Calculate interest on Capital at 6% and interest on drawings ₹ 350.
- (4) ₹ 100 is outstanding for salaries.
- (5) Insurance includes ₹ 50 prepaid and ₹ 100 for life insurance premium.
- (6) Of the debtors ₹ 1,000 is to be written off as bad debts and provision of 5% on debtors is to be made for doubtful debts.
- (7) On 1/7/2022 Vishesh brought his personal machine worth ₹ 1,000 in the business, but it has been credited to Vishesh's personal account and has been included in creditors.
- (8) Vishesh has withdrawn goods of ₹ 100 for personal use and goods worth ₹ 500 is stolen.
- (9) Goods worth ₹ 1,000 is burnt by fire against which the insurance Company accepted a claim of ₹ 800.
- (10) Stock of Stationery on 31/12/2022 is ₹ 100.

(Sau. Uni., F.Y.B.B.A. April, 2002; Guj. Uni., April, 2003)

Solution:

Remember that at some problems or sums, two balance are given as pair (together) in Trial Balance, out of which one has a debit balance and the other has a credit balance e.g.

- (1) Of goods returned, one is a debit balance of ₹ 1,000 and the other is a credit balance of ₹ 500. The debit balance is Sales Returns while, the credit balance is Purchases Returns.
- (2) Personal Accounts have also two balances. Debit balance of personal accounts means Debtors and Credit balance of personal accounts means creditors.
- (3) Bad debts has a debit balance and Bad Debts Reserve has a credit balance.
- (4) Purchase has a debit balance and sales has a credit balance.

Dr.

Trading Account of Shri Vishesh
for the year ended on 31/12/2022

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	30,000	By Sales	1,20,000
To Purchases 60,000		– Sales Return	1,000
– Pur. Return 500	59,500	By Closing Stock	18,000
To Wages, Carriage & Octroi	5,200	By Goods withdrawn for personal use	100
To Gross Profit (Transf. to P & L A/c)	43,900	By Goods stolen	500
	1,38,600	By Goods burnt by fire	1,000
			1,38,600

Notes: Closing Stock of ₹ 16,000 (20,000 – 4,000) is valued as its Cost, while damaged goods of ₹ 4,000 is valued at ₹ 2,000. Hence the total value of closing stock is ₹ 18,000.

Dr.

Profit & Loss Account of Shri Vishesh
for the year ended on 31/12/2022

Cr.

Particulars	₹	Particulars	₹
To Print. & Stationery 500		By Gross Profit (Transf. from P & L A/c)	43,900
– Closing Stock of Stationery 100	400	By Discount	600
To Salaries 5,000		By Interest on Drawings	350
+ Outstanding 100	5,100		
To Insurance, Rates and Taxes 800			
– Prepaid 50			
– Drawings 100	650		
To Depreciation:			
Machinery 10% 3,950			
Leasehold Build.-1/5 (For 6 month) 4,000	7,950		

Final Accounts

To Bad debts	400		
+ B.D. (New) (A)	1,000		
+B.D.R. (New)(A)	2,700		
	<u>4,100</u>		
- B. D. R. (old) (T)	1,900	2,200	
To Repairs		500	
To Salesman's Commission		600	
To Discount allowed		220	
To Interest on B. O. D.		80	
To Interest on Capital		5,370	
To Loss by fire		200	
To Loss of Goods by Theft		500	
To Net Profit (Capital A/c)		21,080	
		<u>44,850</u>	<u>44,850</u>

Notes:

(1) As Life Insurance premium is a personal expenses, it has been transferred to drawing account.

(2) Personal machine brought in the business increases Capital as well as the value of machine. Hence interest on Capital has been calculated on ₹ 89,000 for the whole year, whereas on ₹ 1,000 of additional Capital, interest is calculated for 6 months. Similarly depreciation has been calculated on machinery of ₹ 1,000 for six months.

(3) As the Lease of the building is for the 5 years period, 1/5 of its value is to be written off every year. Leasing period starts from 1/7/2022. Hence ₹ 4,000 (for six months) is written of during the current year.

Balance Sheet of Shri Vishesh as on 31/12/2022

Particulars	Note	₹	₹
[A] Liabilities:			
Capital		89,000	
Add: Additional machinery		1,000	
Add: Interest on Capital		5,370	
Add: Net Profit		21,080	
		<u>1,16,405</u>	
Less: Drawings	10,000		
Goods for personal use	100		
Life insurance premium	100		
Interest on drawings	350		
		<u>10,550</u>	1,05,900
Creditors		37,000	
Less: Transferred to Capital A/c		1,000	36,000
Bank overdraft			800
Unpaid Salary			100
TOTAL			<u>1,42,800</u>

[B] Assets:			
Building on Lease		40,000	
Less: 1/5 written off (For six months)		4,000	36,000
Plant and machinery (40,000 – 1,000)		39,000	
Add: Personal machine brought on 1/7/2022		1,000	
		40,000	
Less: Depreciation 10%		3,950	36,050
Debtors		55,000	
Less: Bad debts		1,000	
		54,000	
Less: B. D. R. 5%		2,700	51,300
Closing Stock			18,000
Prepaid Insurance Premium			50
Cash balance			500
Insurance Company (Claim receivable)			800
Stock of Stationery			100
TOTAL			1,42,800

Illustration 18: From the following ledger balances of Shri Pulkit, prepare Trading Account and Profit and Loss Account for the year ending 31st March, 2023, and the Balance sheet as on that date.

Particulars	₹	Particulars	₹
Capital	2,00,000	Sundry Expenses	6,400
Opening Stock	60,000	Drawings	12,000
Sales	4,00,000	Discount received	
Salary (upto 28/2/2023)	16,500	by customers	2,500
Debtors	40,400	Bad Debts recovered	900
Carriage Outward	1,800	Purchases	3,00,000
5% Mortgage loan (Cr.)	18,000	Building	1,23,000
(Dt. 1/10/2022)		Insurance Premium (for	
Wages	30,000	the year ending 30/6/2023)	2,400
Goods returned by		Postage	1,800
customers	10,000	Cash and bank balance	9,000
Creditors	34,000	Bad debts	1,000
Rent	9,000	Bad debts reserve	1,100
Octroi	800	Reserve for discount	
Furniture	6,600	on creditors	800
Plant and Machinery	24,500	Depreciation on Building	2,000
Goods returned to suppliers	5,000	Sale of Furniture (1/4/2022)	500
		Outstanding for wages	1,000

Final Accounts

Adjustments:

- (1) Closing stock is ₹ 84,000; of which the market value of 10% stock is less by 10%.
- (2) The goods purchased by Sudhir for ₹ 400 were returned by him on 20/3/2023. This was not recorded in the books.
- (3) Depreciate plant and machinery and furniture by 10%.
- (4) An amount of ₹ 5,000 paid for court fees for purchase of building was debited to sundry expenses account.
- (5) Write off ₹ 1,000 as bad debts and provide 5% bad debts reserve.
- (6) On 1/10/2022 Shri Pulkit brought his personal furniture worth ₹ 4,000 in the business. This was not recorded in the books.
- (7) Charge 5% interest on Capital.
- (8) On 1/4/2022 a machine worth ₹ 1,200 was sold for ₹ 1,000. This amount is included in the sales.
- (9) The book-value of furniture sold was ₹ 600.

Solution:

Trading Account of Shri Pulkit for the year ended on 31/3/2023				Cr.
Dr.	Particulars	₹	Particulars	₹
	To Opening Stock	60,000	By Sales	4,00,000
	To Purchases	3,00,000	– Sales Ret.	10,000
	– Pur. Return	5,000	– Goods	
		2,95,000	Returned	400
	To Wages	30,000	– Sales of	
	To Octroi	800	Machine	1,000
	To Gross Profit (Transf. to P & L A/c)	85,960	By Closing stock	83,160
		4,71,760		4,71,760

Profit & Loss Account of Shri Pulkit for the year ended on 31/3/2023				Cr.
Dr.	Particulars	₹	Particulars	₹
	To To Salaries	16,500	By Gross Profit (Transf. from P & L A/c)	85,960
	+ Outstanding	1,500		900
	To Misc. Expenses	6,400	By Bad debts recovered	
	– Legal exp.	5,000		
	To Premium	2,400		
	– Prepaid	600		
		1,800		

To Bad debts	1,000		
+ B.D. (New) (A)	1,000		
+B.D.R.(New)(A)	1,950		
	3,950		
– B.D.R.(old) (T)	1,100	2,850	
To Depreciation:			
Building	2,000		
Machinery	2,330		
Furniture	800	5,130	
To Rent		9,000	
To Postage		1,800	
To Carriage outward		1,800	
To Discount		2,500	
To O/s Interest on loan		450	
To Interest on capital		10,100	
To Loss on furniture sold		100	
To Loss on Machinery sold		200	
To Net Profit (Tr. Cap. A/c)		31,730	
		86,860	86,860

Balance Sheet as on 31/3/2023

Particulars	Note No.	₹	₹
[A] Liabilities:			
Capital:		2,00,000	
Add: Furniture		4,000	
Add: Interest		10,100	
Add: Net Profit		31,730	
		2,45,830	
Less: Drawings		12,000	2,33,830
5% Mortgage Loan			18,000
Creditors		34,000	
Less: Discount reserve		800	33,200
Int. on loan outstanding			450
Salary outstanding			1,500
Wages outstanding			1,000
TOTAL			2,87,980

[B] Assets:			
Building		1,23,000	
Add: Court fee		5,000	1,28,000
Machinery		24,500	
Less: Sale of Machinery		1,200	
		23,300	
Less: Depreciation 10%		2,330	20,970
Furniture		6,600	
Less: Sale of furniture		600	
		6,000	
Add: Addition		4,000	
		10,000	
Less: Depreciation 10%		800	9,200
Closing stock			83,160
Debtors		40,400	
Less: Goods returned by Sudhir		400	
		40,000	
Less: Additional bad debt		1,000	
		39,000	
Less: B. D. R. 5%		1,950	37,050
Cash and Bank Balance			9,000
Prepaid Insurance			600
TOTAL			2,87,980

Notes:

- (1) 10% of the stock of ₹ 84,000 is ₹ 8,400 and its market value is less by 10% i.e. by ₹ 840. Hence, closing stock has been valued at ₹ 84,000 – ₹ 840 = ₹ 83,160.
- (2) Salary contains an implied adjustment. It has been stated in the trial balance that salaries of 11 months have been paid, which is ₹ 16,500. The salary of March has not been paid which would be $16,500 \div 11 = ₹ 1,500$. Adjustment has to be made for this.
- (3) Similarly, there is a concealed adjustment in respect of 5% mortgage loan of ₹ 18,000 taken on 1/10/2022. Interest is payable for 6 months on this loan upto 31/3/2023. But it appears from trial balance that it has not been paid. Hence, an adjustment entry must be passed for outstanding interest of ₹ 450.
- (4) An item of outstanding wages is shown in trial balance. Hence, it will have only one effect and shown as a liability in the balance sheet.

- (5) Insurance premium is generally paid for one year. Here it is paid upto 30/6/2023 i.e. 3 months' premium is paid in advance which comes to ₹ 600. This is again an implied adjustment.
- (6) Reserve for discount on creditors given in the trial balance is not an adjustment. It will have only one effect. It will be deducted from creditors in the B/s.
- (7) Bad debts recovered is a gain of business and is therefore credited to Profit and Loss Account.
- (8) Goods returned by Sudhir has not been recorded. Hence, it will have two effects:
- It will be deducted from sales as sales return and
 - It will also be deducted from debtors because debtors are reduced to that extent.
- (9) Personal furniture brought in business will increase the capital. It will be added to capital as well as to Furniture. Interest on capital and depreciation on furniture will be calculated on the same amount of ₹ 4,000 for 6 months.
- (10) Depreciation on building is given in the trial balance and so it will have only one effect, i.e. it will be shown on the debit side of P & L A/c. It will not be deducted from Building in the Balance Sheet, because it has already been deducted.
- (11) A machine worth ₹ 1,200 is sold for ₹ 1,000 resulting into a loss of ₹ 200 on sale of machinery. This will be debited to P & L A/c. As it has been included in Sales, ₹ 1,000 will be deducted from sales and machines of ₹ 1,200 will be reduced, so ₹ 1,200 is deducted from machinery in the balance sheet.

Illustration 19: From the following Trial Balance Shri Dhaval as on 31st December, 2022. Prepare a Trading Account and Profit & Loss Account for year ended on 31st December, 2022 and a Balance Sheet as on that date:

Debit Balances	₹	Credit Balances	₹
Drawing Account	6,000	Capital Account	80,000
Plant & Machinery (Balance as on 1 st January 2022)	20,000	Sundry Creditors	10,000
Plant & Mach. (Addition on 1 st July, 2022)	5,000	Sales	1,20,000
Stock (1 st Jan. 2022)	15,000	Return Outward	1,000
Purchases	82,000	Provision for Doubtful Debts	400
Returns Inward	2,000	Discount	800
Sundry Debtors	20,600	Rent of Premises (Sublet for year upto 30 th June 2022)	1,200

Furniture & Fixtures	5,000		
Freight & Duty	2,000		
Carriage outward	500		
Rent, Rates & Taxes	4,600		
Printing & Stationery	800		
Trade Expenses	400		
Postage & Telegraphs	800		
Insurance	700		
Salaries & Wages	21,300		
Cash on hand	6,200		
Cash at Bank	20,500		
	2,13,400		2,13,400

Adjustments:

- (1) Stock as on 31st December, 2022 is valued at ₹ 14,000.
- (2) Write off ₹ 600 as bad debts.
- (3) The provision for doubtful debts is to be maintained at 5% on Sundry Debtors.
- (4) Create a provision for discount on Debtors and discount on creditors at 2%.
- (5) Provide for depreciation on Furniture at 5% and on Plant & Machinery at 20% per annum.
- (6) Insurance prepaid ₹ 100.
- (7) A fire occurred on 25th December, 2022, in the godown and stock of the value of ₹ 5,000 was destroyed. It was fully insured and the Insurance Company admitted the claim in full.

(Guj. Uni., F.Y.B.B.A. April, 2006)

Solution:**Trading Account of Shree Dhaval**

Dr. for the year ended on 31/12/2022 Cr.

Particulars	₹	Particulars	₹
To Opening Stock	15,000	By Sales	1,20,000
To Purchases	82,000	– Return	
– Ret. Outward	1,000	Inward	2,000
To Freight & Duty	2,000	By Closing stock	14,000
To Gross Profit (Transf. to P & L A/c)	39,000	By Stock destroyed by fire	5,000
	1,37,000		1,37,000

Dr.

Profit and Loss Account of Shri Dhaval
for the year ended on 31/12/2022

Cr.

Particulars	₹	Particulars	₹
To Prov. for Doubtful Debts:		By Gross Profit (Transf. from P & L A/c)	39,000
Bad debts —		By Rent of premises 1,200	
+ B.D. (New) (A) 600		– Received in Advance 600	600
+B.D.R.(New)(A) 1,000		By Provision for discount on Creditors	200
1,600		By Discount received	800
– B.D.R.(old) (T) 400	1,200		
To Insurance 700			
– Prepaid Ins. 100	600		
To Carriage outward 500			
To Rent, rates & taxes 4,600			
To Printing & Stationery 800			
To Trade expenses 400			
To Postage & telegraphs 800			
To Salaries and Wages 21,300			
To Depn. on Furniture 250			
To Depn. on Plant & Mach. (As per W. N. 1) 4,500			
To Provision for discount on Debtors 380			
To Net Profit (Transferred to Capital A/c.) 5,270			
	40,600		40,600

Working Note No. 1: Depreciation on plant and machinery: Plant and machinery as on 1/1/2022 ₹ 20,000. Depreciation for whole year = $20,000 \times 20/100 = ₹ 4,000$. Addition to plant and machinery as on 1st July, 2022 ₹ 5,000. Depreciation for six month = $5,000 \times 20/100 \times 6/12 = ₹ 500$. Hence, Depreciation on Plant and Machinery = ₹ 4,000 + ₹ 500 = ₹ 4,500.

Balance Sheet of Shri Dhaval as on 31/12/2022

Particulars	Note No.	₹	₹
[A] Liabilities:			
Capital: Opening Balance		80,000	
Add: Net Profit		5,270	
		85,270	
Less: Drawing		6,000	79,270
Sundry Creditors		10,000	
Less: Reserve for discount 2%		200	9,800
Rent received in advance			600
TOTAL			89,670

Final Accounts

[B] Assets:			
Plant and machinery		20,000	
Add: Addition on 1/7/2022		5,000	
		25,000	
Less: Depreciation		4,500	20,500
Furniture & Fixtures		5,000	
Less: Depreciation		250	4,750
Sundry debtors		20,600	
Less: Bad debts		600	
		20,000	
Less: B. D. R. (New) 5%		1,000	
		19,000	
Less: Reserve for discount 2%		380	18,620
Closing stock			14,000
Cash on hand			6,200
Cash at bank			20,500
Claim receivable from Insurance Company			5,000
Prepaid insurance			100
TOTAL			89,670

Illustration 20: From the given Trial balance of Maithili prepare Trading and Profit and Loss Account for the year ended on 31st December, 2022 and a Balance Sheet as at that date:

Debit Balances	₹	Credit Balances	₹
Purchases	3,10,000	Sales	4,15,000
Opening stock	50,000	Capital	2,88,600
Cash in hand	2,100	Sundry creditors	40,000
Cash at Bank	12,000		
Drawings	4,000		
Rates and taxes	5,000		
Salaries	32,000		
Postage and Telephones	11,500		
Salesmen's commission	35,000		
Insurance	9,000		
Advertising	17,000		
Furniture and fittings	22,000		

Printing and stationery	3,000		
Motor Car	48,000		
Bad debts	2,000		
Cash discounts	4,000		
General Exps.	14,000		
Carriage inward	10,000		
Carriage outward	22,000		
Wages	20,000		
Audit Exps.	11,000		
Sundry debtors	1,00,000		
	7,43,600		7,43,600

You are also given the following information:

- (1) Cost of goods in stock as on 31st December, 2022 was ₹ 1,45,000.
- (2) Maithili had withdrawn goods worth ₹ 5,000 during the year.
- (3) Purchases includes purchases of Furniture worth ₹ 10,000.
- (4) Write further bad debts worth ₹ 5,000.
- (5) Provision for bad debts is to be created at 5% of debtors. Also create a discount reserve on debtors at 2% and creditors at 2%.
- (6) Depreciate furniture by 10% and Motor Car by 20%.
- (7) The Salesmen are entitled to a Commission on of 10% on Sales.

(South Guj. Uni., F.Y.B.B.A., April, 2004)

Solution:

Dr. **Trading Account of Shree Maithili** Cr.
for the year ended on 31/12/2022

Particulars	₹	Particulars	₹
To Opening Stock	50,000	By Sales	4,15,000
To Purchases 3,10,000		By Closing stock	1,45,000
– Purchase		By Goods withdrawn	
of furniture 10,000	3,00,000	by proprietor	5,000
To Carriage inward	10,000		
To Wages	20,000		
To Gross Profit (P & L A/c)	1,85,000		
	5,65,000		5,65,000

Final Accounts

Cr.

Profit and Loss Account of Shree Maithili			
Dr.	Particulars	₹	Cr.
To Prov. for Doubtful Debts:			
Bad debts	2,000		
+ B.D. (New) (A)	5,000		
+B.D.R.(New)(A)	4,750		
	11,750		
– B.D.R.(old) (T)	—	11,750	
To Salesmen's Commission:	35,000		
+ O/s Comm.	6,500	41,500	
To Rates and taxes		5,000	
To Salaries		32,000	
To Postage and Telephones		11,500	
To Insurance		9,000	
To Advertising		17,000	
To Printing and Stationery		3,000	
To Cash discounts		4,000	
To General expenses		14,000	
To Carriage outward		22,000	
To Audit expenses		11,000	
To Disc. Res. on debtors 2%		1,805	
To Depn. on Furniture ²		3,200	
To Depn. on Motor Car		9,600	
		1,96,355	
			1,96,355

Balance Sheet of Shree Maithili as on 31/12/2022

Particulars	Note No.	₹	₹
[A] Liabilities:			
Capital: Opening Balance		2,88,600	
Less: Drawings			4,000
Goods withdrawn			5,000
Net Loss		19,555	2,69,045
Sundry Creditors		40,000	
Less: Reserve for discount 2%		800	39,200
O/s Commission payable to Salesmen			6,500
TOTAL			3,14,745

² The date of purchase of furniture is not given. So as per accounting prudentially the depreciation on furniture purchased during the year is provided for whole year.

[B] Assets:			
Furniture and fittings		22,000	
Add: Addition to furniture		10,000	
		32,000	
Less: Depreciation		3,200	28,800
Motor Car		48,000	
Less: Depreciation		9,600	38,400
Sundry Debtors		1,00,000	
Less: Bad debts		5,000	
		95,000	
Less: B. D. R. (New) 5%		4,750	
		90,250	
Less: Reserve for discount 2%		1,805	88,445
Closing Stock			1,45,000
Cash in hand			2,100
Cash at Bank			12,000
TOTAL			3,14,745

**EXERCISE:****A.****THEORY:**

- (1) What are Final Accounts? State the objects of preparing Final Accounts.
- (2) What is Trading Account? State the main object of preparing it and give the necessary closing entries for preparing it.
- (3) State the main objects of preparing the Profit and Loss Account and explain various items recorded therein.
- (4) State why the Balance Sheet is prepared and compare it with the Trial Balance.
- (5) Explain the difference between Trading Account and Profit and Loss Account.
- (5) What are adjustment? How are they dealt with in Final Accounts?
- (6) Explain the meaning of bad debts reserve and discount reserve on debtors. Write adjusting entries of each.
- (7) Write an adjusting entry for closing stock. How is it valued and why?
- (8) What are closing entries and adjusting entries? Explain the difference between the two, giving illustrations.
- (9) What is Depreciation? Explain the Straight Line Method and Reducing Balance Method of charging depreciation with illustrations.
- (10) Write short note on: Closing Entries.

(Guj. Uni., F.Y.B.B.A., April, 2000)

Final Accounts

(11) State the difference between: Trial Balance and Balance Sheet.

(Sau. Uni., F.Y.B.B.A., April; 2001, '02)

(12) Write short notes on:

(1) Prepaid expenses.

(2) Unpaid expenses.

(3) Manufacturing Account.

(4) The Final Accounts.

(5) The Closing Stock.

(6) Adjustments

(13) Explain the meaning of Bad Debt, Bad Debt Reserve and Discount Reserve on Debtors. Write adjustment entries of each.

(Guj. Uni., F.Y.B.B.A., Nov., 2011)

(14) Define: Creditors, Bad-debts.

(Guj. Uni., F.Y.B.B.A., Dec., 2014)

B. PRACTICAL:

Ex. 1: The following is the Trial Balance of Nimesh Patel as on 31/3/2023.

Prepare his final accounts:

Names of Account	Debit ₹	Credit ₹
Drawings-Capital	3,000	45,000
Purchases-Sales	82,000	1,20,000
Goods returns	2,100	1,700
Provident Fund Investments and Provident Fund	12,000	13,000
Contribution to Provident fund	1,100	—
Stock (1/4/2022)	18,000	—
Furniture & Fixtures	5,000	—
Building	40,000	—
Debtors-Creditors	30,360	41,000
Discount	500	300
Stationery	200	—
General Expenses	11,200	—
Salary	18,000	—
Scooter	10,000	—
Carriage inward	300	—
Goods withdrawn	—	500
Bad debt-Bad debts reserve	240	2,500
15% Priyam Patel's Loan	—	10,000
	2,34,000	2,34,000

Adjustments:

- (1) Value of closing stock is ₹ 35,000 and its market value is ₹ 30,000.
- (2) Calculate interest on capital at 5%.
- (3) Depreciate Building @ 2 1/2% and furniture and fixtures @ 5%.
- (4) Stock of Stationery on 31/3/2023 is ₹ 20.
- (5) Of the debtors ₹ 360 is to be written off as bad debts and provision at 5% on debtors is to be made for doubtful debts.
- (6) Calculate interest on Priyam Patel's loan for whole year.

[Ans.: Gross Profit ₹ 49,800; Net Profit ₹ 14,520; Total of B/s. ₹ 1,24,270.]

Notes: Total bad debts ₹ 600 (240 + 360), New B. D. Reserve ₹ 1,500 and old Reserve is ₹ 2,500; The difference of ₹ 400 will be written on credit side. P. Fund (Cr.) will be shown on liabilities side; P. F. investments (Dr.) will be shown on assets side of B/s. P. F. contribution is an expense and will be shown on Debit side of P & L A/c. Interest on Capital ₹ 2,250; Depreciation on Building ₹ 1,000; Depreciation on Furniture ₹ 250.]

Ex. 2: The following trial balance is extracted from the books of a merchant on 31st December, 2022:

Debit Balances	₹	Credit Balances	₹
Furniture and Fittings	640	Capital Account	12,500
Motor Vehicles	6,250	Sundry Creditors	2,500
Buildings	7,500	Sales	15,450
Bad debts	125	Provision for Bad debts	200
Sundry Debtors	3,800	Bank Overdraft	2,850
Stock on January 1, 2022	3,460	Purchase Returns	125
Purchases	5,475	Commission	375
Sales Returns	200		
Advertising	450		
Interest on B.O.D.	118		
Cash	650		
Taxes and Insurance	1,250		
General Expenses	782		
Salaries	3,300		
	34,000		34,000

The following adjustments are to be made:

- (1) Stock in hand on 31st December, 2022 was ₹ 3,250.
- (2) Depreciate building at the rate of 5%, furniture and Fittings @ 10% and Motor vehicles @ 20%.
- (3) ₹ 85 is due for interest on bank overdraft.
- (4) Salaries ₹ 300 and Taxes ₹ 120 are outstanding.

Final Accounts

- (5) Insurance amounting to ₹ 100 is prepaid.
 (6) One third of commission received is in respect of work to be done next year.
 (7) Write of a further sum of ₹ 100 as bad debts and provision for bad debts to be made equal to 10 per cent on sundry debtors.

Prepare a Trading and Profit and Loss account for the year ending on 31st December 2022 and Balance Sheet as on that date.

(South Guj. Uni., F.Y.B.B.A., April; 2000)

[Ans.: Gross Profit ₹ 9,690, Net Profit ₹ 1,551, Total of B/S. ₹ 20,031.]

Notes: (1) Depn. on buildings ₹ 375, Depn. on Furniture and fittings ₹ 64 and on Motor Vehicles ₹ 1,250. (2) Commission received in advance ₹ 125. (3) New Bad debts provision will be ₹ 370. (4) Closing Balance of Capital ₹ 14,051.]

Ex. 3: From the following particulars taken out from the books of Shri Patdiwala Prepare Trading and Profit and loss Account for the year ended on 31st December, 2022 and balance sheet as on that date:

Particulars	₹	Particulars	₹
Sundry debtors	52,000	Motor Car expenses	6,108
Creditors	22,000	Rent, rates and taxes	3,600
Cash on hand	2,392	Insurance premium	
Furniture	3,500	paid on 1 st Oct. 2022 (yearly)	2,400
Motor Car	22,000	Cash at bank	6,200
Purchases	1,45,000	Building	24,000
Sales	2,92,000	Wages	23,600
Sales returns	2,600	General expenses	2,680
Salaries	8,420	Carriage inward	2,040
Opening Stock	11,400	Carriage outward	1,630
Drawings	8,000	Other setting expenses	6,430
		Capital	20,000

The following information is relevant:

- (1) Closing Stock ₹ 35,000.
 (2) Goods worth Rs, 2,000 was distributed as free samples.
 (3) Write of ₹ 2,000 as bad debts and make provision for bad debts at 5% on debtors.
 (4) Depreciate furniture and building by 10%, Motor Car by 20%.
 (5) Commission worth ₹ 3,600 has been earned but not received till the close of the accounting year.
 (6) An amount of ₹ 10,000 was borrowed from Mr. Shah on 1st July, 2022 and it was returned on 31st December, 2022. However, interest at 10% p.a. still remains unpaid.

(Guj. Uni., F.Y.B.B.A., April, 2001)

[Ans.: Gross Profit ₹ 1,44,360, Net Profit ₹ 1,04,342, Total of B/s. ₹ 1,38,842.]

Notes: (1) Goods worth ₹ 2,000 distributed as free samples will be shown on credit side of Trading A/c and same will be shown as advertisement expense on the debit side of P & L A/c. (2) Bad debts reserve ₹ 2,500. (3) Commission ₹ 3,600 will be shown on the assets side as receivable and same will be shown as an income on the credit side of P & L A/c. (4) Unpaid interest on Shah's Loan ₹ 500. (5) Closing balance of Capital ₹ 1,16,342.]

Ex. 4: From the following trial balance of Mr. Pandya Prepare final accounts as on 31st March, 2023:

Debit Balances	₹	Credit Balances	₹
Drawings	30,000	Capital	1,50,000
Debtors	90,000	Creditors	60,000
Sales Return	2,000	Purchase return	3,000
Bills Receivables	15,000	Bills payable	20,000
Cash	1,000	Bank overdraft	14,000
Discount	400	Discount	300
Bad debts	400	Bad debts-reserve	1,300
Purchases	1,40,000	Sales	2,60,000
Machinery	36,500	8% loan of Miss. Meena	
Depreciation on Machine	3,500	(Date 1/11/2022)	30,000
Furniture	12,000	Unpaid wages	2,000
Stock (1/4/2022)	45,000		
Prepaid insurance	200		
Wages	35,000		
Salary	23,000		
Insurance	1,800		
Bank interest	200		
Carriage inward	600		
Rent and taxes	10,000		
Trading expenses	2,500		
Goodwill	76,000		
Leasehold Build. (5 years from 1/10/2022)	14,000		
Sundry expenses	1,500		
	5,40,600		5,40,600

Final Accounts

Adjustments:

- (1) Closing stock is of ₹ 1,10,000.
- (2) Interest at the rate of 5% p.a. is to be allowed on capital.
- (3) Interest on drawings ₹ 1,000.
- (4) Provide 5% for doubtful debts on debtors.
- (5) At the end of the year, unpaid salary is of ₹ 800, unpaid sundry expenses are of ₹ 200 and unpaid rent is of ₹ 300.

(6) Calculate depreciation at 10% on machinery and at 5% on furniture.

(South Guj. Uni. B.B.A.-I, April, 2002; Guj. Uni., BBA, Nov., 2011 – 3 times)

[Ans.: Gross Profit ₹ 1,50,400, Net profit ₹ 90,300, Total of B/S ₹ 3,45,100, Closing Balance of Capital ₹ 2,16,800.]

Notes: (1) Interest on Capital ₹ 7,500. (2) Outstanding interest on Meena's Loan ₹ 1,000. (3) Depreciation on machinery $(36,500 + 3,500) = 40,000 \times \frac{10}{100} = ₹ 4,000$. Depreciation provided during the year is ₹ 3,500. Hence, more provision for depreciation is required ₹ $(4,000 - 3,500) 500$. (4) Depreciation on Furniture ₹ 600. (5) Bad debts Reserve ₹ 4,500.]

Ex. 5: The following is the Trial Balance of "Miss Amidhara" as on 31/12/2022. Prepare Trading and Profit and Loss Account for the year 2022 and Balance Sheet as at 31/12/2022 from it:

Debit Balances	₹	Credit Balances	₹
Purchases	1,80,000	Sales	2,05,000
Opening Stock	10,000	10% Loans	10,000
Salaries Less P.F.	5,400	Creditors	15,000
P.F. Remittance including	1,200	Capital	55,000
Prop. contributing 50%			
Rent @ ₹ 250 per month	2,750		
Machinery	29,000		
Wages	3,000		
Furniture and fittings	5,000		
Electricity	550		
Trade expenses	1,500		
Debtors	10,500		
Interest on Loan	900		
Commission	200		
Buildings	30,000		
Drawings	5,000		
	2,85,000		2,85,000

Adjustments:

- (1) On 1/1/2022 machinery worth ₹ 5,000 was sold for ₹ 4,000 and credited to machinery account.
- (2) Wages include ₹ 1,000 paid for Machinery erection charges.
- (3) Purchase include Cost of Moped Scooter for ₹ 5,000.
- (4) Proprietor has taken goods costing ₹ 1,000 for which no entry has been made.
- (5) Sundry debtors include ₹ 500 which have become bad and provide 10% Reserve for Bad debts.
- (6) Electricity outstands ₹ 50.
- (7) Goods Costing ₹ 5,000 were destroyed by fire; and Insurance claim was received for ₹ 4,000.
- (8) Provide depreciation at 10% on machinery; furniture and moped scooter.
- (9) Provide depreciation @ 5% on building.
- (10) Closing Stock to ₹ 12,000. (Sau. Uni., F.Y., B.B.A., April, 2003)

[Ans.: Gross Profit ₹ 32,000, Net Profit ₹ 10,200, Total of B/S. ₹ 84,600.]

Notes: (1) Deduct ₹ 1,000 from Machinery as Loss on Sale of machinery and show ₹ 1,000 on debit side of P & L Account as a Loss on Sale of machinery. (2) Deduct ₹ 1,000 from wages and Add ₹ 1,000 to machinery. (3) Depreciation on Machinery ₹ 2,900. (4) Cost of moped scooter ₹ 5,000 deduct from purchases and show scooter on asset of B/S. (5) Goods Costing ₹ 1,000 withdrawn for personal use will be added to drawing and will also be shown on credit side of Trading Account. (6) Closing balance of Capital ₹ 59,200.)]

Ex. 6: From the following Trial Balance as on 31/3/2024 and adjustments prepare final accounts of Yash.

Names of Account	Debit ₹	Credit ₹
Capital and Drawings	6,000	50,000
Land and Building	30,000	—
Machinery	10,000	—
Furniture and fixtures	2,500	—
Leasehold property	15,000	—
Purchases and sales	40,000	70,000
Purchases returns and sales returns	2,500	2,000
Debtors and Creditors	9,200	6,000
6% Loan from Raj (From 1/7/2022)	—	15,000
Freight and octroi	5,000	—

Final Accounts

Misc. expenses	300	—
Stationery and printing	250	—
Insurances premium	500	—
Bad debt reserve	—	500
Bad debts	200	—
Commission	—	5,190
Stock (1/4/2022)	10,650	—
Salary and wages	9,250	—
Trading expenses	400	—
Dead stock	4,000	—
Bank & Cash balance	2,940	—
	1,48,690	1,48,690

Adjustments:

- (1) Closing stock as on 31/3/2023 was valued at ₹ 13,650.
- (2) Fire occurred in business as on 23/3/2023 due to which goods of ₹ 5,000 were destroyed and insurance company accepted the claim of ₹ 3,000.
- (3) Out of the debtors, ₹ 200 are not recoverable. So they are to be written off. Provide bad debts reserve of 5% on debtors.
- (4) On 27/3/2023 goods of ₹ 3,000 were purchased which was not recorded in purchase book.
- (5) Yash withdrew goods of ₹ 1,000 for personal use which are not recorded in the books of account.
- (6) Provide depreciation of 2% on land and building 20% on plant and machinery and 5% on furniture and fixtures.
- (7) Prepaid insurance premium ₹ 100.

(Sau. Uni., F.Y.B.B.A., April, 2007)

[Ans.: Gross profit ₹ 30,500, Net Profit As. 19,340, Total of B/S. ₹ 87,015, Closing balance of Capital account ₹ 62,340; Notes: (1) Depn. on Land and building ₹ 600, Depn. on Machinery ₹ 2,000, Depn. on Furniture and Fixtures ₹ 125. (2) Loss due to fire ₹ 2,000. (3) Credit ₹ 5,000 to trading account as goods destroyed by fire. ₹ 2,000 will be shown as loss due to fire on the debit side of P & L A/c. (4) Bad debts reserve (For adjustment) ₹ 450. (5) Outstanding interest on loan from Raj ₹ 675. (6) Goods costing ₹ 1,000 withdrawn for personal use will be added to drawings and will also be shown on credit side of Trading Account.]

Ex. 7: From the following particulars of Shri Amit Patel, Prepare Trading Account, Profit and Loss Account for the year ended on 31/3/2023 and the Balance Sheet on that date.

Debit Balances	₹	Credit Balances	₹
Salaries	10,223	Sales	66,420
Bills Receivable	6,377	Capital	50,000
Investments	40,000	Bank Debts Reserve	2,500
Furniture	12,000	10% Loan (1/10/2022)	10,000
Stock on 1/4/2022	4,500	Discount	400
Purchases	30,000	Suppliers	9,300
Customers	20,000	Bills Payable	5,000
Interest on loan	400	Outstanding salary	500
Insurance premium	900	Bad debts recovered	200
Wages	4,600	Interest on Investments	2,000
Rent	1,520		
Bad debts	1,200		
Carriage outward	600		
Cash at Bank	10,000		
Depreciation on Furniture	2,500		
Accrued interest	1,000		
Advertisement	500		
	1,46,320		1,46,320

Additional Information:

- (1) Stock on 31st March, 2023 was valued at ₹ 6,000.
- (2) Goods Costing ₹ 1,000 were distributed as free samples, while goods costing ₹ 500 were taken away by the proprietor for personal use.
- (3) Customers include ₹ 1,000 due from Astha and Suppliers included ₹ 2,000 due to Astha.
- (4) Customer included ₹ 1,000 due from Mr. Inamdar who has become insolvent and 40% realisable from his estate.
- (5) A credit sale to Faithful for ₹ 2,000 was not recorded in the books.
- (6) Customers included a dishonoured cheque of ₹ 5,000 and 20% was to be provided for Non-recoverable amount.
- (7) Closing stock included goods costing ₹ 1,000, which were sold and recorded as sales but not delivered to the customer.
- (8) Maintain provision of doubtful debts at 5%.

Final Accounts

[Ans.: Gross profit ₹ 36,820, Net profit ₹ 20,457, Total of Balance Sheet ₹ 92,857, closing balance of capital account ₹ 69,957.]

Notes: (1) Depreciation on furniture ₹ 2,500 is to be shown on Debit side of P & L Account only. (2) Outstanding interest on 10% Loan ₹ 100. (3) Goods worth ₹ 1,000 distributed as free samples will be shown on credit side of Trading A/c. and same will be shown as advertisement expense on the debit side of P & L A/c. (4) Credit sales of ₹ 2,000 is omitted. Add into sales and into debtors. (5) Deduct ₹ 1,000 from the debtors and creditors as same amount is due from Astha and same amount is due to Astha. (6) New Bad debts reserve ₹ 920.]

Ex. 8: The following is the Trial Balance of Unnati as on 31/3/2023. Prepare Final Accounts.

Names of Account	Debit ₹	Credit ₹
Opening stock	50,000	—
Dead stock	2,000	—
Capital and Drawings	15,000	99,000
Postage and Telegram	1,000	—
Purchases and Sales	70,000	1,40,000
Personal Accounts	52,000	47,000
Cash and Bank	1,000	4,000
Plant and Machinery	60,000	—
Building on lease (From 1/4/2022 to 30/9/2027)	33,000	—
Return Account	1,000	500
Discount	200	400
Interest	200	—
Wages and Octroi	800	—
Trading Expenses	1,200	—
Bad debt and B. D. R.	1,500	2,000
Salaries	4,000	—
	2,92,900	2,92,900

Adjustments:

- (1) Closing stock of ₹ 40,000 out of which cost of 10% of stock is 20% less while of 20% is 10% more.
- (2) Depreciate plant and machinery by 10%.
- (3) Calculate interest on Capital at 10% and on Drawings ₹ 400.
- (4) Dead stock was sold and the same was disposed off for ₹ 500 in exchange of new Dead stock Costing ₹ 1,200. The net invoice of ₹ 700 was passed through purchase register. (No depreciation is required on old and new dead stock.)
- (5) Goods of ₹ 5,000 burnt by fire. Insurance Company admitted 60% claim.

- (6) Of the debtors ₹ 2,000 is Bad. Provide B. D. R. @ 3% on Debtors.
 (7) On 1st July, 2022 she brought Machine of ₹ 2,000 in Business but it was credited to proprietor's personal account and included in creditors.

(Sau. Uni., April, 2008)

[Ans.: Gross profit ₹ 63,600; Net profit ₹ 29,300; Total of B/s ₹ 1,73,950; Closing Balance of capital ₹ 1,24,950; value of closing stock ₹ 39,200.

Loss on disposal of old Dead stock ₹ 1,500; Deduct the value of new Dead stock ₹ 700 from purchases; loss due to goods destroyed by fire ₹ 2,000; Personal machine: Deduct from creditors and add into capital; Interest on capital ₹ 10,050; Interest on Drawings ₹ 400; Provision for Bad debts ₹ 1,500; Depreciation on plant and machinery ₹ 5,950; write off value of Building on lease ₹ 6,000 (33,000 ÷ 5.5 years).]

Ex. 9: Following is the Trial Balance of Mr. Vimal Patel as on 31/3/2023. You are required to prepare the Trading and Profit and Loss Account for the year ended on 31/3/2023 and the Balance Sheet as on that date after taking the additional information given here under:

Debit Balances	₹	Credit Balances	₹
Opening stock	1,80,000	Capital	6,00,000
Land & Building	3,00,000	Sundry Creditors	1,20,000
Plant & Machinery	4,00,000	Bad debts reserve	6,000
Furniture	50,000	Sales	13,00,000
Purchases	9,50,000	Returns outward	8,000
Returns Inward	10,000	Interest on Bank Fixed deposit	2,500
Carriage Inward	15,000	Loan from Bank @ 12%	3,00,000
Carriage outward	6,000	Discount received	4,500
Wages	90,000	Bills Payable	61,000
Power & Fuel	40,000	Bank overdraft	25,000
Salaries	60,000		
Sundry Debtors	1,40,000		
Bills receivables	25,000		
Cash on hand	50,000		
Discount allowed	5,000		
Bad debts	4,000		
Drawings	36,000		
Bank Fixed Deposit @ 10%	50,000		
Printing & Stationery	12,000		
Insurance Premium	4,000		
	24,27,000		24,27,000

Additional Information:

- (1) Stock as on 31/3/2023 ₹ 2,20,000.
- (2) Provide depreciation on Plant and Machinery at 15%, Furniture at 10%, and Building at 5%.
- (3) Write off ₹ 1,000 out of debtors as bad debts and create bad debts reserve @ 4% on debtors.
- (4) Interest on Bank Fixed deposit due for 6 months.
- (5) Provide for interest on bank loan for whole year.
- (6) Outstanding wages ₹ 10,000 and salary paid in advance ₹ 12,000.
- (7) Prepaid insurance for 3 months. (Sau. Uni., April, 2009)

[Ans.: Gross profit ₹ 2,33,000; Net Profit ₹ 47,940; Total of B/s ₹ 2,42,500; Closing balance of capital 6,11,940.]

Notes: (1) Depreciation: on Building ₹ 15,000; on Plant & machinery ₹ 60,000; on Furniture ₹ 5,000. (2) Bad debt reserve ₹ 5,560. (3) Outstanding interest on Bank Loan ₹ 36,000. (4) Interest receivable on Bank fixed deposits ₹ 2,500. (5) Prepaid Insurance ₹ 1,000.]

Ex. 10: From the following Trial Balance of Tejas Gandhi, Prepare Trading and Profit and Loss Account for the year ending 31st March, 2023 and Balance Sheet as on that date:

Debit Balances	₹	Credit Balances	₹
Opening stock (1/4/2022)	17,000	Capital	1,00,000
Purchases	96,100	Creditors	55,600
Wages	7,400	Sales	1,72,000
Carriage inward	5,400	Rent	2,400
Carriage outward	2,000		
Salary	6,000		
Buildings	80,000		
Furniture	4,600		
Depreciation on Furniture	500		
Debtors	81,000		
Insurance Premium	1,600		
Printing and stationery	2,500		
Sundry Expenses	4,400		
Repairs	1,000		
Cash on hand	12,500		
Drawings	8,000		
	3,30,000		3,30,000

Adjustments:

- (1) Value of closing stock was ₹ 7,600.
- (2) ₹ 1,200 was outstanding for salaries.
- (3) Depreciate building by 5%.
- (4) Insurance paid in advance ₹ 100.
- (5) Buildings rent received in advance ₹ 300.
- (5) Credit purchases of ₹ 700 was not recorded in the books of accounts.

(South Guj. Uni., April, 2009)

[Ans.: Gross profit ₹ 53,000; Net Profit ₹ 32,000; Total of B/s ₹ 1,81,800; Closing balance of capital ₹ 1,24,000; Depreciation on Buildings ₹ 4,000; Unrecorded credit purchases of ₹ 700 add in purchases and also add in creditors.]

Ex. 11: The following is the trial balance of Mr. Krishan as on 31st March, 2023:

Names of Account	Debit ₹	Credit ₹
Krishan's Capital Account	—	1,00,000
Stock on 1 st April, 2022	45,000	—
Purchase and Sales	1,70,000	3,00,000
Goods Returns	8,000	15,000
Freight and Carriage	18,000	—
Rent and taxes	5,000	—
Salaries and wages	10,000	—
Unpaid salaries and wages	—	1,000
Debtors and Creditors	45,000	25,000
Bank loan at 12% p.a.	—	30,000
Bank loan interest	2,000	—
Printing and Advertising	15,000	—
Miscellaneous Income	—	2,200
Discount	1,800	800
General Expenses	16,700	—
Insurance (up to 30/6/2023)	1,300	—
Postage and Telegram	2,330	—
Cash in hand	20,000	—
Travelling Expenses	870	—
Drawings	40,000	—
Cash at Bank	18,000	—
Furniture and Fittings	55,000	—
	4,74,000	4,74,000

The following adjustments should be made:

- (1) Included amongst the debtors is ₹ 3,000 due from Sudhir and included among the creditors ₹ 3,000 due to him.
- (2) The provision for bad and doubtful be created at 5% and reserve for discount at 2% on debtors.
- (3) Depreciation on furniture and fittings at 10% shall be written off.
- (4) Interest on bank loan shall be provided for the whole year.
- (5) A quarter of the amount of printing and advertising is to be carried forward to the next year.
- (6) The stock on 31/3/2023 was ₹ 1,78,000.

Prepare: Trading and P & L A/c for the year ended 31st March, 2023 and the B/S as on 31st March, 2023. (Sau. Guj. Uni. April 2011)

[Ans.: Gross Profit ₹ 2,52,000, Net Profit ₹ 1,94,077, Total of B/s ₹ 3,08,677. Outstanding bank loan int. ₹ 1,600, Account of Printing to be carried in the next year ₹ 3,750, Prepaid Ins. ₹ 325, BDR. ₹ 2,100 Res. For discount Rs, 798.]

Ex. 12: Following is the trial balance of Shri OM as on 31st March, 2023. You are requested to prepare the Trading and Profit and Loss Account for the year ended 31st March, 2023 and Balance Sheet as on that date.

Debit Balances	₹	Credit Balances	₹
Sundry Debtors	5,00,000	Sundry Creditors	2,00,000
Wages	1,55,000	Capital Accounts	14,43,000
Carriage outward	1,10,000	Sales	19,87,500
Carriage inward	50,000		
General expenses	70,000		
Cash discount	20,000		
Bad Debts	10,000		
Motor car	2,40,000		
Printing and Stationary	15,000		
Furniture and Fittings	1,10,000		
Advertisements	85,000		
Insurance	45,000		
Salesmen's commission	87,500		
Postage and telephone	57,500		
Salaries	1,60,000		
Rates and Taxes	25,000		
Drawings	20,000		
Purchases	15,50,000		
Stock	2,50,000		
Cash and Bank	70,500		
	36,30,500		36,30,500

Following adjustment are to be made:

- (1) Stock on 31st March, 2023 was valued at ₹ 7,25,000.
- (2) A provision for Bad-Doubtful debt is to be created to the extent of 5% on sundry debtors.
- (3) Depreciate Furniture and fittings by 10%; Motor car by 20%.
- (4) Shri OM had withdrawn goods worth ₹ 25,000 during the year.
- (5) Sales include goods worth ₹ 75,000 sent out to Shanti and Company on approval and remained unsold on 31st March, 2023; the cost of the goods was ₹ 50,000.
- (6) The salesmen are entitled to a commission of 5% on total sales.
- (7) Debtors include ₹ 25,000 bad debts.
- (8) Purchases include purchases of furniture worth ₹ 50,000.

(Sau. Uni., F.Y. BBA, Sem. Nov. 2010)

[Ans.: Gross Profit ₹ 7,57,500, Net Loss ₹ 44,625, Total of B/s ₹ 15,61,500, Closing Stock ₹ 7,75,000 (7,25,000 + 50,000), Outstanding Salesmen Commission ₹ 8,125, Dep. on furniture ₹ 16,000 (11,000 + 5,000)]

Ex. 13: From the following figures extracted from the books of Shri Ashok, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as on that date after making the necessary adjustments:

Particulars	₹	Particulars	₹
Shri Ashok's capital	2,28,800	Wages	35,200
Shri Ashok's drawing	13,200	Sundry creditors	44,000
Plant and Machinery	99,000	Postage and telegrams	1,540
Freehold Property	66,000	Insurance	1,760
Purchases	1,10,000	Gas and fuel	2,970
Return outward	1,100	Bad debt	660
Salaries	13,200	Office rent	2,860
Office expenses	2,750	Freight	9,900
Office furniture	5,500	Loose tools	2,200
Discount Account (Dr.)	1,320	Factory lighting	1,100
Sundry Debtors	29,260	Provision for bad debts	880
Loan to Shri Krishna at 10% p.a. on 1/4/2022	44,000	Interest on loan to Shri Krishna	1,100
Cash at Bank	29,260	Cash on hand	2,640
Bills payable	5,500	Sales	2,31,440
Stock 1/4/2022	38,500		

Adjustments:

- (1) Stock on 31st March, 2023 was valued at ₹ 72,600.
- (2) A new machine was installed during the year costing ₹ 15,400 but it was not recorded in the books as no payments was made for it. Wages ₹ 1,100 paid for its erection have been debited to wages account.
- (3) Depreciate plant and machinery by 33 1/3%.
Furniture by 10%
Freehold Property by 5%
- (4) Loose tools were valued at ₹ 1,760 on 31/3/2023.
- (5) Of the sundry debtors ₹ 660 are bad and should be written off.
- (6) Maintain a provision of 5% on sundry debtors for doubtful debts.
- (7) The manager is entitled to a commission of 10% of the net profits after charging such commission. (Sau. Uni., F.Y. B.B.A., Nov. 2010)

[Ans.: Gross Profit ₹ 1,08,750, Net Profit Rs, 40,800 (After Managers Commission ₹ 4,080, Dep. on loose tools ₹ 440, Manager's Commission ₹ 4,080 (44,880 × 10/110), Dep. on Plant and Machinery ₹ 38,500, Furniture ₹ 550, Freehold property ₹ 3,300.)]

Int. receivable on Krishna's loan ₹ 3,300, Outstanding for new machine installed ₹ 15,400 show in the B/S.)

Ex. 14: From the following Trial Balance of Shri Jaymin as at 31st March, 2023, Prepare Trading, P & L A/c and a Balance Sheet as on that date:

Names of Account	Debit ₹	Credit ₹
Purchases	80,000	—
Sales	—	1,50,000
Returns (Goods)	10,000	5,000
Capital and Drawings	8,000	2,08,000
15% Loan and Interest on loan	3,000	30,000
Debtors and Creditors	90,000	35,000
Bills	10,000	12,000
Discounts	3,000	2,000
Stock (1/4/2022)	5,000	—
Postage	1,000	—
Wages and Commission	2,000	1,000
Cash Balance and BOD	15,000	3,000
Office Expenses	1,000	—
Provident Fund	—	15,000

Bad debt and BDR	500	300
Reserve for Discount on Debtors	—	200
Reserve for Discount on Creditors	150	—
Furniture	10,000	—
Machinery	35,000	—
Rent (up to 31/1/2023)	15,000	—
Salary due but not paid	—	1,000
Coal and Power	500	—
Advertisement Sus. A/c (to be written off in 4 years)	4,000	—
Land and Building	1,20,000	—
Freight and Octroi	1,350	—
Investments	48,000	—
	4,62,500	4,62,500

Adjustments:

- (1) Cost of Closing Stock is ₹ 50,000 but its mark value is ₹ 51,397.
- (2) Depreciate Fixed Assets at 10% p.a.
- (3) Purchases includes purchases of Furniture worth ₹ 10,000 (Date of Purchase 1/4/2022)
- (4) Write off Bad Debts ₹ 5,000 and provide for BDR @ 6%.
- (5) Also create discount reserve on Debtors @2% and Creditors @ 5%.
- (6) Goods worth ₹ 2,000 was lost in transit and railway accepted claim of ₹ 1,500.

(Guj. Uni., F.Y. BBA, April, 2011)

[Ans.: Gross Profit ₹ 1,18,150, Net Profit ₹ 64,552, Total of B/s ₹ 3,63,302, Outstanding loan interest ₹ 1,500, Dep. on furniture ₹ 2,000, (1,000 + 1,000), Rent outstanding ₹ 3,000, Written of Advertisement Suspense A/c. ₹ 1,000]

Ex. 15: Mr. Sudhesh provides you the following trial balance as on 31/3/2023. From the given particulars you are required to prepare Trading and Profit and Loss Account for the year ended on 31/3/2023 and the Balance Sheet as on that date:

Names of Account	Debit ₹	Credit ₹
Sundry Debtors and Creditors	5,00,000	2,00,000
Drawings and Capital	20,000	14,43,000
Purchases and Sales	15,50,000	21,00,000
Carriage inwards	50,000	—
Carriage outwards	1,10,000	—

Final Accounts

General expenses	70,000	—
Cash discount	20,000	—
8% investments	1,87,500	—
Bad debts	10,000	—
Motor car	2,95,000	—
Printing & Stationery	15,000	—
Furniture & Fittings	1,00,000	—
Advertisement	85,000	—
Insurance Premium (upto 30/6/2023)	45,000	—
Salaries	1,70,000	—
Rates and taxes	25,000	—
Interest on 8% investments	—	5,000
Wages	1,75,000	—
Stock on 1/4/2022	2,50,000	—
Cash at bank	60,000	—
Cash in hand	10,500	—
	37,48,000	37,48,000

Additional Information:

- (1) Stock on 31/3/2023 was valued at ₹ 3,15,000.
- (2) A provision for bad and doubtful debts is to be created to the extent of 5% on Sundry debtors.
- (3) Stock valuing ₹ 5,000 was destroyed by the fire during the year and the Insurance Company admitted the claim of ₹ 3,500 only. The above effect has not been shown in the books of accounts.
- (4) Included in the Sundry debtors, a customer who owes ₹ 2,500 has been declared insolvent, nothing will be realised from his estate.
- (5) Depreciate furniture and fittings at 10% p.a. and Motor Car at 20% p.a.
- (6) Purchases include purchase of furniture worth ₹ 50,000.
- (7) The salesman is entitled to a commission of 5% on total sales.

(Guj. Uni., F.Y. BBA, Dec. 2012)

[Ans.: Gross Profit ₹ 4,45,000, Net Loss ₹ 2,86,625, Total of B/S ₹ 14,41,375;

Notes: (1) Credit ₹ 5,000 to Trading Account as goods destroyed by fire, ₹ 3,500 will be shown on the assets side as amount receivable from Insurance Co. and ₹ 1,500 will be shown as loss due to fire on the debit side of P & L A/c. (2) Dep. on Furniture and Fittings ₹ 15,000 and Motor Car ₹ 59,000. (3) Int. on investment due ₹ 10,000.]

Ex. 16: The Trial Balance of Mr. Radheyshyam as on 31/3/2023 was as under:

Debit Balances	₹	Credit Balances	₹
Stock (1/4/2022)	4,00,875	Sales	37,86,435
Purchases	24,37,575	Bad debt reserve	78,000
Wages	4,00,000	Creditors	4,58,890
Carriage inward	30,000	Bills payable	59,750
Octroi & Freight	4,520	Outstanding wages	800
Salaries	1,60,000	Outstanding salaries	40,000
Postage & Telegram	7,000	Capital	1,00,000
Advertisement expenses	2,000	15% Loan from bank	50,000
Printing and Stationery	500		
Bad debts	7,875		
Debtors	7,53,000		
Furniture	1,08,750		
Cash on hand	50,000		
Bank Balance	1,00,000		
Drawings	66,780		
Bills receivables	45,000		
	45,73,875		45,73,875

Additional information:

- (1) Stock at 31/3/2023 was ₹ 2,15,000 which requires repair expenses of ₹ 1,750.
- (2) Bad debts ₹ 5,000 and bad debt reserve is to be maintained at 5% on debtors.
- (3) Depreciate furniture at 10% p.a.
- (4) Goods of ₹ 1,500 are stolen but no entry is recorded into the books of accounts.
- (5) Goods of ₹ 2,500 are given to the temple for distribution to poor.
- (6) Create 2% discount reserve on debtors and creditors.
- (7) Goods worth ₹ 2,000 are given on approval basis and are recorded in the sales book. But till 31/3/2023 customer has not sent approval and the goods are unsold. The cost of the above goods is ₹ 1,500.

You are required to prepare the Trading Account, Profit & Loss Account for the year ended 31/3/2023 and the Balance Sheet as on that date.

(Guj. Uni., F.Y. BBA, Dec. 2012)

[Ans.: Gross Profit ₹ 7,30,215, Net Profit ₹ 5,61,169, Total of B/S ₹ 12,02,151;

Notes: (1) Value of Cl. Stock ₹ 2,14,750 (Cl. Stock ₹ 2,13,250 + Goods on Approved ₹ 1,500). (2) Goods stolen ₹ 1,500 will be shown on credit side of Trading A/c and as Loss due to theft on the debit side of P & L A/c. (3) Goods of

₹ 2,500 given as charity will be shown on credit side of Trading Account and as Charity on debit side of P & L A/c (4) Goods sent on approval worth ₹ 2,000 deduct from sales and also deduct from Debtors (5) Cost of goods sent on approval ₹ 1,500 will be added in value of Cl. stock. (6) Bad Debts Reserve ₹ 37,300 and Discount Reserve ₹ 14,174. (7) Discount Reserve on Creditors ₹ 9,178 (8) Bad Debts Reserve (Cr. Balance) of ₹ 27,825 will be shown on credit side of P & L A/c.]

Ex. 17: The following is the Trial Balance of Shri Ketan as on 31/12/2022:

Debit Balances	₹	Credit Balances	₹
Machinery	25,000	Provident Fund	10,000
Building	25,000	Sales	1,65,000
Furniture	8,000	Purchase return	8,000
Stock (1/1/2022)	46,000	16% loan (from 1/7/2022)	5,000
Salaries	8,400	Interest on investment	490
Freight & Octroi	2,500	Bills payable	5,000
Drawings	15,000	Capital	1,00,000
Carriage inward	1,500	Discount	1,500
Debtors	75,000	Outstanding wages	1,000
Travelling exp	1,000	Bad-debt reserve	2,000
Bad debts	2,000	Creditors	75,000
Investments	4,000	Commission	6,000
Insurance premium (for the year ending 28/2/2023)	1,200		
Cash on hand	540		
Bank balance	6,700		
Purchase	90,000		
Advertisement exp	2,000		
Sales return	10,000		
P. F. contribution	2,000		
Discount	3,050		
Interest on 16% loan	100		
Bills receivable	30,000		
Goodwill	10,000		
Wages	10,000		
	3,78,990		3,78,990

Prepare Trading and Profit & Loss A/c. and Balance Sheet after taking into account the following adjustments:

- (1) Stock on 31/12/2022 is ₹ 20,000 and market-value of 10% stock is less by 10%.
- (2) Calculate interest on capital at 12% per annum and charge interest for 6 months on drawings at 12% per annum.
- (3) 60% advertisement expense is carried forward to next year.
- (4) Depreciate machining at 10% and building at 5%.
- (5) Maintain reserve for bad-debt at 5% on debtors.
- (6) Provide reserve for discount at 2% on debtors and creditors.
- (7) Advance paid to staff ₹ 1,400 is included in salaries.

(Guj. Uni., F.Y.B.B.A., Dec. 2014)

[Ans.: Gross Profit ₹ 32,800, Net Profit ₹ 7,015, Total of B/S ₹ 1,97,915.]

Notes: (1) Value of Cl. Stock ₹ 19,800; (2) Interest on Capital ₹ 12,000; (3) Interest on Drawings ₹ 900; (4) Adv. Exp. Written off ₹ 800; (5) Depr: Machinery ₹ 2,500, Building ₹ 1,250; (6) Bad Debts Reserve ₹ 3,750 and Discount Reserve ₹ 1,425; (7) Advance paid salary ₹ 1,400 deducted from salary in P & L A/c Dr. side and mention on Asset side in B/s.]

Ex. 18: From the following Trial balance as on 31/3/2023 of Mr. Sarin, you are required to prepare Final Accounts:

Names of Account	Debit ₹	Credit ₹
Machinery	50,000	—
Depreciation on machinery	5,000	—
Salary	28,600	—
Capital & Drawings	20,000	2,00,000
Stock (1/4/2022)	90,000	—
Debtors & Creditors	1,40,000	85,000
Lease-hold premises (on 1/10/2022 for 5 years)	80,000	—
Carriage inward	1,000	—
Carriage outward	2,400	—
Trade expense	1,600	—
Discount	3,400	3,800
Bad-debt & Bad-debt reserve	2,800	5,800
Cash & Bank overdraft	5,000	6,000
Wages	30,000	—
Purchases & sales	2,00,000	5,00,000
Return accounts	18,000	20,000
Insurance Premium (upto 1/7/2023)	7,200	—
Commission	—	1,400
10% Investment (on 30/9/2022)	1,40,000	—
Interest received on investment	—	3,000
	8,25,000	8,25,000

Final Accounts

Additional information:

- (1) Mr. Sarin's son is working with him in business and is paid an annual salary of ₹ 12,000. This amount is included in drawings.
- (2) Value of closing stock on 31/3/2023 is ₹ 40,000.
- (3) During the year goods worth ₹ 5,009 were distributed as samples.
- (4) Commission due but not received ₹ 2,000 and outstanding trade exp. ₹ 500.
- (5) A credit sale of ₹ 10,000 is omitted from the books.
- (6) Bad-debt ₹ 4,000 and bad-debt reserve of 5% is required to be provided on debtors.

Prepare Trading and P & LA/c for the year ending on 31/3/2023 and Balance Sheet as on that date. (Guj. Uni., F.Y.B.B.A., Dec. 2014)

[Ans.: G. P. ₹ 2,36,000, Net Profit ₹ 1,70,000, Total of B/S ₹ 4,53,500; Notes:

- (1) Salary paid to son ₹ 12,000 added in salary in P & L A/c Dr. side and net Drawings ₹ 8,000 (20,000 – 12,000) deducted from Capital on Liability side; (2) Goods distributed as sample Cr. Side on Trading A/c and on Dr. side on P & L A/c; (3) Omitted credit sales ₹ 10,000 added in sales on Cr. Side of Trading A/c and added in Debtors on Asset side in B/s; (4) Bad Debts Reserve ₹ 7,300 @ 5% of Debtors ₹ 1,46,000.]

Ex. 19: The following is the Trial Balance of Shri Kumar as on 31/12/2022. Prepare Final Accounts from the information given as under:

Names of Account	Debit ₹	Credit ₹
Opening Stock	90,000	—
Drawings and Capital	30,000	2,67,000
Printing and Stationery	1,500	—
Purchases and Sales	1,80,000	3,60,000
Debtors and Creditors	1,65,000	1,11,000
Plant & Machinery	1,20,000	—
Building on Lease (from 1/7/2022 for 5 years)	1,20,000	—
Repairs	1,500	—
Goods returned	3,000	1,500
Discount	660	1,800
Interest on Bank Overdraft	240	—
Wages and Octroi	15,600	—
Salesman's Commission	1,800	—
Bad debt and Bad debt recovered	1,200	5,700
Salary	15,000	—
Insurance, Rates and taxes	2,400	—
Cash and Bank Overdraft	1,500	2,400
	7,49,400	7,49,400

Adjustments:

- (1) The closing stock is valued at ₹ 1,20,000.
- (2) Depreciate Plant & Machinery at 10%.
- (3) Calculate interest on capital at 6% and interest on drawings ₹ 1,000.
- (4) Stock of stationery on 31/12/2022 is ₹ 500.
- (5) Goods worth ₹ 3,500 is burnt by fire against which the insurance company accepted a claim of ₹ 1,000.
- (6) Shri Kumar has withdrawn goods of ₹ 300 for personal use and goods worth ₹ 1,000 is stolen.
- (7) Insurance includes ₹ 300 prepaid. (Guj. Uni., B.B.A.-I, Nov. 2015)

[Ans.: Gross Profit ₹ 1,97,700, Net Profit ₹ 1,39,180, Total of B/S ₹ 5,04,300;
 Notes: (1) Closing balance of Capital ₹ 3,90,900 (2,67,000 + 16,020 + 1,39,180 – 30,000 – 1,000 – 300); (2) Depr. on Plant & Mach. ₹ 12,000; (3) Depr. on Build. ₹ 12,000 (1,20,000 ÷ 5 = 24,000 × 6/12 = 12,000); (4) Exp. of print. & Stationary ₹ 1,000 (1,500 – 500); (5) Loss due to fire ₹ 2,500; (6) Interest on Capital ₹ 16,020.]

Ex. 20: From the following balances taken from the ledger of Shri Rajesh on 31st March 2023, Prepare the Trading Account, Profit & Loss account for the year ending on 31st March, 2023 and Balance Sheet as on that date:

Debit Balances	₹	Credit Balances	₹
Drawings	6,000	Capital Account	80,000
Plant and Machinery (as on 1 st April, 2022)	20,000	Sundry Creditors	10,000
Plant and Machinery (Purchased on 1/10/2022)	5,000	Sales	1,20,000
Opening stock	15,000	Return outward	1,000
Purchases	82,000	Provision for Bad debts	400
Return inward	2,000	Discount	800
Sundry Debtors	20,600	Rent of premises (Sublet for year up to Sep., 2023)	1,200
Furniture	5,000		
Freight	2,000		
Carriage outward	500		
Rent	4,600		
Printing & Stationary	800		
Trade expenses	400		
Postage & Telegram	800		
Insurance	700		
Salaries & Wages	21,300		
Cash on hand	6,200		
Cash at bank	20,500		
	2,13,400		2,13,400

Adjustments:

- (1) Closing stock is valued at ₹ 14,000.
- (2) Write off ₹ 600 as bad-debts.
- (3) The provision for doubtful debts is to be maintained at 5% on Debtors.
- (4) Create a provision for discount on Debtors and Creditors at 2%.
- (5) Provide for depreciation on Furniture at 5% and on Plant and machinery at 20% per annum.
- (6) Insurance prepaid ₹ 100.
- (7) Goods of ₹ 5,000 were burnt by fire and insurance company admitted the claim in full.

(Guj. Uni., April, 2009, 2015-Double)

[Ans.: Gross profit ₹ 39,000; Net Profit ₹ 5,270; Total of B/s ₹ 89,670; Closing balance of capital ₹ 79,270; Notes: (1) The new provision for doubtful debts ₹ 1,000. (2) Provision for discount on Debtors ₹ 380 ($19,000 \times 2\%$) and Provision for discount on Creditors ₹ 200 ($10,000 \times 2\%$). (3) Depreciation: on Furniture ₹ 250; on Plant and machinery ₹ 4,500 ($4,000 + 500$). (4) Rent of premises in advance ₹ 600.]

Ex. 21: Following is the Trial Balance of Piyush. You are required to prepare Trading and Profit and Loss Account for the year ended on 31/3/2023 and Balance Sheet as on that date:

Particulars	₹	Particulars	₹
10.5% Investments (1/12/2022)	1,50,000	Capital	2,42,500
Audit fees	4,000	Purchase return	15,000
Bad Debts	5,000	Provident Fund	3,600
Carriage outward	10,000	10% Bank Loan (1/4/2022)	1,00,000
Cash	4,100	Office expenses	5,000
Creditors	25,000	Purchases	2,65,000
Bills payable	12,500	Salary & wages	32,750
Interest on Investments	5,250	Sales return	5,000
Sales	4,74,000	Opening stock	50,000
Debtors	1,25,000	Bank balance	16,000
Discount given	5,000	Insurance paid in advance	500
Furniture	66,000	Land & Building	1,34,500

Additional Information:

- (1) The Closing Stock on 31/3/2023 was ₹ 4,37,500 and its market value was ₹ 4,75,300.
- (2) Calculate interest on capital and on drawings at 10% p.a.
- (3) Purchase of furniture on 1/4/2022 ₹ 25,000 and sale of furniture on 31/3/2023 ₹ 12,500 has not been recorded in the books.

- (4) Provide depreciation on Fixed Assets at 10%.
 (5) Interest on loan is outstanding.
 (6) Goods withdrawn ₹ 7,000 for personal purpose.
 (7) Outstanding office expenses ₹ 3,250 and Commission to be received for the year 2022-'23 ₹ 3,750. (Guj. Uni., F.Y.B.B.A., Nov. 2017)

[Ans.: Gross Profit ₹ 6,13,500, Net Profit ₹ 5,03,400, Total of B/S ₹ 9,13,550.

Notes: (1) Closing Stock ₹ 4,37,500; (2) Int. on Capital ₹ 24,250, Drawings ₹ 700; (3) Depreciation: Furniture ₹ 10,350, Land & Build. ₹ 13,450; (4) O/s interest on loan ₹ 10,000.]

Ex. 22: From the following information of Mr. Krish, you are required to prepare Trading A/c and Profit & Loss A/c for the year ended on 31/3/2023 and Balance Sheet as on that date:

Debit Balances	₹	Credit Balances	₹
Cash	12,500	Capital	15,46,100
Bank	28,950	Reserve for Bad debt	1,500
Debtors	33,000	Sundry Creditors	19,000
Bills receivable	21,000	5% Loan	28,000
Purchases	4,75,000	Sales	8,98,000
Sales return	5,800	Purchase return	4,500
Wages	6,900	Interest on investments	6,000
Salary	35,800	Outstanding General	
Carriage inward	1,200	Expenses	450
6% Investments	1,00,000	Provident Fund	12,000
Land & Building	8,80,000		
Furniture	1,25,000		
Plant & Machinery	4,75,000		
Interest on capital	19,900		
Advertisement	16,900		
Interest on 5% Loan	700		
Bad debts	5,300		
Taxes	48,000		
Drawings	10,000		
Audit fees,	8,500		
General Expenses	12,100		
Stationery	5,500		
Opening Stock	1,85,000		
Commission paid	3,500		
	25,15,550		25,15,550

Adjustments:

- (1) Closing Stock ₹ 2,00,000. 20% of stock is valued 25% more, 25% stock reduced by 20%. And out of remaining stock ₹ 10,000 stock has no value.
- (2) Calculate interest on total drawings for 6 months at 5% p.a.
- (3) Depreciate Plant & Machinery at 5%, Furniture at 10% and Land and Building at 15%.
- (4) Keep Discount Reserve at 5% on Creditors and 10% on Debtors.
- (5) Goods of ₹ 5,000 were taken for personal purpose.
- (6) 5% Loan was taken on 1/10/2022.
- (7) Credit purchases of ₹ 37,500 has not been recorded in the books.

(Guj. Uni., F.Y.B.B.A., Nov. 2017)

[Ans.: Gross Profit ₹ 3,76,100, Net Profit ₹ 58,350, Total of B/S ₹ 16,83,900;

Notes: (1) Closing Stock ₹ 1,80,000; (2) Int. on Drawings ₹ 375; (3) Depreciation: Plant & Mach. ₹ 23,750, Furniture ₹ 12,500, Land & Building ₹ 1,32,000; (4) Disc. Res. on Creditors ₹ 2,825, Debtors ₹ 3,300 (5) O/s interest on loan ₹ 700.]

Ex. 23: From the following trial balance of Shri Amit Prepare Trading Account and Profit and Loss account for the year ending on 31st March, 2023 and the Balance Sheet as on that date:

Debit Balances	₹	Credit Balances	₹
Stock (1/4/2022)	46,800	Capital	76,690
Goods Returns	8,600	Sales	3,89,600
Purchases	3,21,700	Goods Returns	5,800
Carriage inward	19,600	Creditors	14,800
Rent and Taxes	4,700	Bank Loan at 14% p.a.	20,000
Salaries and Wages	9,300	Discount earned	4,440
Debtors	24,000		
Interest on Bank Loan	1,100		
Printing and Stationery	14,400		
Bank balance	8,000		
Furniture and Fittings	25,000		
Discount allowed	1,800		
General expenses	11,450		
Insurance premium	1,300		
Postage and Fax expenses	2,330		
Cash balance	380		
Travelling expenses	870		
Drawings	10,000		
	5,11,330		5,11,330

The following adjustments are to be made:

- (1) Stock on 31/3/2023 ₹ 78,600.
- (2) Credit purchase invoice amounting to ₹ 4,000 had been omitted from the books.
- (3) A Quarter of the amount of Printing & Stationery is to be carried forward to the next year.
- (4) Personal purchases of Shri Amit amounting to ₹ 700 had been recorded in the Purchase Day book.
- (5) Write off ₹ 500 for bad debts and create bad debts reserve at 2% on debtors.
- (6) Provide depreciation on furniture at 10% p.a.
- (7) Goods Costing ₹ 10,000 was destroyed by riots and the claim was admitted by Insurance Co. for ₹ 7,500 is not recorded in the books.

(Guj. Uni., F.Y., B.B.A., April, 2002, 2018 double figure)

[Ans.: Gross Profit ₹ 84,000, Net Profit ₹ 37,120, Total of B/S. ₹ 1,43,610, Closing Balance of Capital ₹ 1,03,110.]

Notes: (1) Personal purchases deduct from the purchases and add into Drawings. (2) Credit purchases by ₹ 4,000 is omitted. Add into purchases and into Creditors. (3) Loss due to goods destroyed in riots ₹ 2,500. (4) Outstanding interest on Bank Loan ₹ 1,700.]

Ex. 24: From the undernoted Trial Balance of a trader as on 31/12/2022, prepare a Trading and Profit and Loss account for the year ended 31/12/2022 and a Balance Sheet as on that date:

Debit Balances	₹	Credit Balances	₹
Cash in hand	1,200	Capital	80,000
Purchases	1,20,000	4% Bank Loan	20,000
Opening Stock	35,000	Bills Payable	22,000
Sundry Debtors	50,000	Sundry Creditors	24,000
Plant	60,000	Sales	2,00,000
Furniture	15,000	Bad Debts Reserve	1,200
Bills Receivable	20,000		
Rent and Taxes	10,000		
Wages	16,000		
Salaries	20,000		
	3,47,200		3,47,200

Final Accounts**Additional Information:**

- (1) Closing Stock ₹ 40,000.
- (2) Provide outstanding Liabilities: Rent and Taxes ₹ 2,000; Wages ₹ 3,000; Salaries ₹ 4,000.
- (3) Depreciation on Plant 5%, on Furniture 10%.
- (4) Write off ₹ 500 as bad debts.
- (5) Create bad debts reserve 2.5% on Sundry Debtors.

(South Guj. Uni., F.Y., B.B.A., April, 2003, 2019-Double Amount)

[Ans.: Gross Profit ₹ 66,000, Net Profit ₹ 24,162, Total of B/S. ₹ 1,79,962, Closing Balance of Capital ₹ 1,04,162.]

Notes: (1) Depreciation on Plant ₹ 3,000. (2) Depreciation on Furniture ₹ 1,500. (3) Bad debt reserve ₹ 1,238. (4) Unpaid or outstanding interest on 4% Bank Loan ₹ 800 ($20,000 \times 4\%$).]

Ex. 25: From the following trial balance as on 31/3/2023 of Mr. Ajay you are required to prepare Final Accounts:

Names of Account	Debit ₹	Credit ₹
Stock (1/4/2022)	45,000	—
Salary (upto 28/2/2023)	14,300	—
Capital and Drawings	10,000	1,00,000
Debtors and Creditors	70,000	40,000
Lease hold Premises (1/10/2022 for 5 years)	40,000	—
Carriage Inward	500	—
Carriage Outward	1,200	—
Trade expenses	800	—
Discount	1,700	1,900
Bad debt and Bad debt Reserve	1,400	2,900
Cash and Bank	2,500	3,000
Wages	15,000	—
Purchases and Sales	1,00,000	2,50,000
Return Accounts	9,000	10,000
Commission	—	700
Machineries	25,000	—
10% Investments (30/9/2022)	70,000	—
Int. received on Investments	—	1,500
Insurance Premium (upto 1/7/2023)	3,600	—
	4,10,000	4,10,000

Additional Information:

- (1) Value of Closing Stock is ₹ 20,000, of which value of 90% on stock is 10% less and value of 10% stock is 90% more.
- (2) Depreciate machineries at 10%.
- (3) Interest on Capital and Drawings 10%.
- (4) Goods burnt by fire ₹ 5,000 and Insurance Co. accepted a Claim of ₹ 4,000.
- (5) Bad debt of ₹ 2,000 and Bad Debt Reserve of 5% is required to be provided on debtors.
- (6) Commission due but not received ₹ 1,300. Outstanding trade expenses ₹ 200.
- (7) During the year goods worth ₹ 2,000 were distributed as samples.

(Guj. Uni., F.Y., B.B.A., April, 2004, 2018-Double, 2019-Double)

[Ans.: Gross Profit ₹ 1,15,700; Net Profit ₹ 78,500, Total of B/S. ₹ 2,22,000. Closing Balance of Capital ₹ 1,77,500]

Notes: (1) Interest on capital ₹ 10,000. Interest on drawings ₹ 1,000. (2) Value of Closing Stock ₹ 18,200. (3) Depreciation on machineries ₹ 2,500. (4) Loss of Goods burnt by fire ₹ 1,000 will be debited to Profit and Loss Account. (5) Credit ₹ 5,000 To Trading account as goods burnt by fire ₹ 4,000 will be shown on the asset side as amount receivable from Insurance Co. (6) Bad debt reserve ₹ 3,400. (7) Goods worth ₹ 2,000 distributed as free samples will be shown on credit side of Trading account and same will be shown as advertisement expense on the debit side of P & L A/c.]

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