

## Adjustments in Preparation of Financial Statements

### Question:1

Following are the balances extracted from the books of Manish on 31st March, 2019:

Capital	1,90,000	Cash at Bank	26,000
Drawing	7,000	Salaries	8,000
Plant and Machinery	1,20,000	Repairs	1,900
Delivery Vehicle	26,000	Stock on 1st April, 2018	16,000
Sundry Debtors	36,000	Rent	4,500
Sundry Creditors	26,000	Manufacturing Expenses	1,500
Purchases	20,000	Bills Payable	23,500
Sales	42,000	Bad Debts	5,000
Wages	8,000	Carriage	1,600

Prepare Trading and Profit and Loss Account and Balance Sheet as at 31st March, 2019 after following adjustments are made:

- i  
Closing Stock was 16,000.
- ii  
Depreciate Plant and Machinery @ 10% and Delivery Vehicle @ 15%.
- iii  
Unpaid Rent amounted to 500.

### Solution:

#### Trading Account for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening stock	16,000	Sales	42,000
Purchases	20,000	Closing Stock	16,000
Wages	8,000		
Manufacturing Expenses	1,500		
Carriage	1,600		
Gross Profit ( <i>Balance Figure</i> )	10,900		
	<b>58,000</b>		<b>58,000</b>

#### Profit and Loss Account for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Salaries	8,000	Gross Profit	10,900
Repairs	1,900	Net Loss ( <i>Balancing Figure</i> )	24,900
Rent	4,500		
Add: Unpaid Rent	500		
Bad Debts	5,000		
Depreciation on:			
Plant and machinery	12,000		
Delivery Vehicle	3,900		
	<b>35,800</b>		<b>35,800</b>

**Balance Sheet**  
as on March 31, 2019

Liabilities		Amount	Assets		Amount
Capital	1,90,000		<b>Fixed Assets</b>		
Less: Drawings	7,000		Plant and Machinery	1,20,000	
Less: Net Loss	24,900		Less: 10% Depreciation	12,000	1,08,000
		1,58,100	Delivery Vehicle	26,000	
			Less: 15% Depreciation	3,900	22,100
<b>Current Liabilities</b>			<b>Current Assets</b>		
Sundry Creditors		26,000	Closing Stock		16,000
Bills Payable		23,500	Sundry Debtors		36,000
Unpaid Rent		500	Cash at Bank		26,000
		<b>2,08,100</b>			<b>2,08,100</b>

**Question:2**

Prepare Trading and Profit and Loss Account and Balance Sheet from the following balances, relating to the year ended 31st March, 2019:

Capital	1,00,000	Wages	50,000
Creditors	12,000	Bank	10,000
Returns	5,000	Repairs	500
Outward Sales	1,64,000	Stock on 1st April, 2018	20,000
Bills Payable	5,000	Rent	4,000
Plant and Machinery	40,000	Manufacturing Expenses	8,000
Sundry Debtors	24,000	Trade Expenses	7,000
Drawings	10,000	Bad Debts	2,000
Purchases	1,05,000	Carriage	1,500
Returns	3,000	Fuel and Power	1,000
Inward			

*Additional Information:*

i

Closing Stock was valued at 14,500.

ii

Depreciate Plant and Machinery by 4,000.

iii

Write off Bad Debts 5,000.

iv

400 is due for repairs.

**Solution:**

**Trading Account**  
for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening stock	20,000	Sales	1,64,000
Purchases	1,05,000	Less: Return Inwards	3,000
Less: Return out words	5,000	Closing Stock	14,500
	1,00,000		

Wages	50,000	Gross Loss ( <i>Balancing Figure</i> )	5,000
Manufacturing Expenses	8,000		
Carriage	1,500		
Fuel and Power	1,000		
	<b>1,80,500</b>		<b>1,80,500</b>

**Profit and Loss Account**  
for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Gross Loss	5,000		
Repairs 500			
Add: outstanding 400	900		
Rent	4,000		
Miscellaneous Expenses	7,000		
Bad Debts 2,000		Net Loss ( <i>Balancing Figure</i> )	27,900
Add: Additional bad debts 5,000	7,000		
Depreciation on Plant and Machinery	4,000		
	<b>27,900</b>		<b>27,900</b>

**Balance Sheet**  
as on March 31, 2019

Liabilities	Amount	Assets	Amount
Capital 1,00,000		<b>Fixed Assets</b>	
Less: Drawings 10,000		Plant and Machinery 40,000	
Less: Net Loss 27,900	62,100	Less: Depreciation 4,000	36,000
<b>Current Liabilities</b>		<b>Current Assets</b>	
Creditors 12,000		Closing Stock	14,500
Bills Payable 5,000		Sundry Debtors 24,000	
Outstanding Repairs 400		Less: Further Bad Debts 5,000	19,000
		Bank	10,000
	<b>79,500</b>		<b>79,500</b>

**Question:3**

Following Trial Balance has been extracted from the books of Prasad on 31st March, 2019:

Particulars	Dr.	Particulars	Cr.
Machinery	4,00,000	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, 2018	6,00,000		
Sundry Debtors	4,40,000		
Bills Receivable	2,90,000		
Rent	45,000		

Commission	25,000		
General Expenses	80,000		
Salaries	50,000		
	<u>29,80,000</u>		<u>29,80,000</u>

*Additional Information:*

i

Outstanding salaries were 45,000.

ii

Depreciate Machinery at 10%.

iii

Wages outstanding were 5,000.

iv

Rent prepaid 10,000.

v

Provide for interest on capital @ 5% per annum.

vi

Stock on 31st March, 2019 8,00,000.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date.

**Solution:**

**Financial Statement of M/s. Ram Prasad & Sons**

**Trading Account**

*for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening Stock	6,00,000	Sales	16,00,000
Purchases	8,00,000	Closing Stock	8,00,000
Wages 1,00,000			
Add: Outstanding Wages 5,000	1,05,000		
Gross Profit ( <i>Balancing Figure</i> )	8,95,000		
	<u>24,00,000</u>		<u>24,00,000</u>

**Profit and Loss Account**

*for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Rent 45,000		Gross Profit	8,95,000
Less: Prepaid Rent 10,000	35,000	Interest Received	30,000
Commission	25,000		
General Expenses	80,000		
Salaries 50,000			
Add: Outstanding Salaries 45,000	95,000		
Depreciation on Machinery	40,000		
Net Profit ( <i>Balancing Figure</i> )	6,50,000		
	<u>9,25,000</u>		<u>9,25,000</u>

**Balance Sheet**

*as on March 31, 2019*

Liabilities		Amount	Assets		Amount
Capital	9,00,000	15,50,000	<b>Fixed Assets</b>		
Add: Net Profit	6,50,000		Machinery	4,00,000	
<b>Current Liabilities</b>			Less: 10% Depreciation	40,000	3,60,000
Sundry Creditors		4,50,000	<b>Current Assets</b>		
Outstanding Salary		45,000	Closing Stock		8,00,000
Outstanding Wages		5,000	Sundry Debtors		4,40,000
			Bills Receivable		2,90,000
			Prepaid Rent		10,000
			Cash at Bank		1,00,000
			Cash in Hand		50,000
		<b>20,50,000</b>			<b>20,50,000</b>

#### Question:4

From the following Trial Balance of Shradha as on 31st March, 2019, prepare Trading and Profit and Loss Account and Balance Sheet:

Heads of Accounts	Debit Balances	Credit Balances
Capital	...	80,000
Drawings	18,000	...
Sales	...	1,55,000
Purchases	82,600	...
Stock 1st April, 2018	42,000	...
Returns Outward	...	1,600
Carriage Inwards	1,200	...
Wages	4,000	...
Power	6,000	...
Machinery	50,000	...
Furniture	14,000	...
Rent	22,000	...
Salary	15,000	...
Insurance	3,600	...
8% Bank Loan	...	25,000
Debtors	20,600	...
Creditors	...	18,900
Cash in Hand	1,500	...
<b>Total</b>	<b>2,80,500</b>	<b>2,80,500</b>

#### Adjustments:

- i Closing Stock 64,000.
- ii Wages outstanding 2,400.
- iii Bad Debts 600.
- iv Provision for Doubtful Debts to be 5%.
- v Rent is paid for 11 months.
- vi Insurance premium is paid per annum, ended 31st May, 2019.
- vii Loan from the bank was taken on 1st October, 2018.
- viii Provide Depreciation on machinery @ 10% and on Furniture @ 5%.

**Solution:****Financial statement of M/s. Shradha & Sons****Trading Account***for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening Stock	42,000	Sales	1,55,000
Purchases 82,600			
Less: Return Outwards 1,600	81,000		
Carriages Inwards	1,200	Closing Stock	64,000
Wages 4,000			
Add: Outstanding Wages 2,400	6,400		
Power	6,000		
Gross Profit (Balancing Figure)	82,400		
	<b>2,19,000</b>		<b>2,19,000</b>

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**Profit and Loss Account***for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Rent 22,000		Gross Profit	82,400
Add: Outstanding for One month 2,000	24,000		
22,000/11			
Salary	15,000		
Insurance 3,600			
Less: Prepaid 2 month 600	3,000		
3,600 × 2/12			
Outstanding Interest on Bank Loan	1,000		
25,000 × 8			
Bad Debts 600			
Add: Provision for Doubtful Debts 1,000	1,600		
Depreciation on:			
Machinery 5,000			
Furniture 700	5,700		
Net Profit (Balancing Figure)	32,100		
	<b>82,400</b>		<b>82,400</b>

**Balance Sheet***as on March 31, 2019*

Liabilities	Amount	Assets	Amount
Capital 80,000		<b>Fixed Assets</b>	
Add: Net Profit 32,100		Machinery 50,000	
Less: Drawings 18,000	94,100	Less: 10% Depreciation 500	45,000
8% Bank Loan 25,000		Furniture 14,000	
Add: Outstanding Interest 1,000	26,000	Less: 5% Depreciation 700	13,300
<b>Current Liabilities</b>		<b>Current Assets</b>	
Creditors 18,900		Closing Stock	64,000
Wages Outstanding 2,400		Debtors 20,600	
Rent Outstanding 2,000		Less: Bad Debts 600	
		Less: 5% Provision for doubtful Debts 1,000	19,000
		Prepaid Insurance	600
		Cash in hand	1,500

1,43,400

1,43,400

**Question:5**

Trial Balance of a business as at 31st March, 2019 is given below:

Particulars	Dr.	Particulars	Cr.
Stock on 1st April, 2018	25,000	Sales	2,27,800
Furniture	8,000	Commission	500
Plant and Machinery	1,50,000	Returns Outward	1,000
Debtors	30,000	Creditors	40,000
Wages	12,000	Capital	1,50,000
Salaries	20,000		
Bad Debts	1,000		
Purchases	1,20,000		
Electricity Charges	1,200		
Telephone Charges	2,400		
General Expenses	3,000		
Postage Expenses	1,800		
Returns Inward	900		
Insurance Premium	1,500		
Cash in Hand	2,500		
Cash at Bank	40,000		
	4,19,300		4,19,300

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date after taking into account the following adjustments:

i

Closing Stock was valued at 7,000.

ii

Outstanding liabilities for wages were 600 and salaries 1,400.

iii

Depreciation is to be provided @ 5% p.a. on fixed assets.

iv

Included in Plant and Machinery is a machine purchased for 10,000 on 1st October, 2018.

v

Insurance premium paid in advance 200.

**Solution:**

**Trading Account**  
for the year ended March 31, 2018

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening Stock	25,000	Sales	2,27,800
Purchases	1,20,000	Less: Returns	900
Less: Returns	1,000	Closing Stock	7,000
Wages	12,000		
Add: Outstanding Wages	600		
Gross Profit	77,300		
	2,33,900		2,33,900

**Profit & Loss Account**  
for the year ended March 31, 2018

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Bad Debts	1,000	Gross Profit	77,300
Insurance Premium	1,500	Commission	500
Less: Prepaid	200		
Salaries	20,000		
Add: Outstanding Salaries	1,400		
Electricity Charges	1,200		
General Expenses	3,000		
Postage Expenses	1,800		
Telephone Charges	2,400		
Depreciation on:			
Furniture	400		
Plant & Machinery	7,250		
Net Profit	38,050		
	<b>77,800</b>		<b>77,800</b>

**Balance Sheet**  
as on March 31, 2018

Dr.		Cr.	
Liabilities	Amount	Assets	Amount
Creditors	40,000	Furniture	8,000
Outstanding Wages	600	Less: Depreciation	400
Outstanding Salaries	1,400	Plant & Machinery	1,50,000
Capital	1,50,000	Less: Depreciation	7,250
Add: Net Profit	38,050	Cash at Bank	40,000
		Cash in Hand	2,500
		Closing Stock	7,000
		Debtors	30,000
		Prepaid Insurance	200
	<b>2,30,050</b>		<b>2,30,050</b>

**Question:6**

Following are the balances extracted from the books of Narain on 31st March, 2019:

Particulars	Amount	Particulars	Amount
Narain's Capital	3,00,000	Sales	15,00,000
Narain's Drawings	50,000	Sales Return	20,000
Furniture and Fittings	26,000	Discounts Dr.	16,000
Bank Overdraft	42,000	Discounts Cr.	20,000
Creditors	1,38,000	Insurance	20,000
Business Premises	2,00,000	General Expenses	40,000
Stock on 1st April, 2018	2,20,000	Salaries	90,000
Debtors	1,80,000	Commission Dr.	22,000
Rent from Tenants	10,000	Carriage on Purchases	18,000
Purchases	11,00,000	Bad Debts Written off	8,000

**Additional Information:**

- i  
Closing Stock as on 31st March, 2019 was 2,00,600, whereas its Net Realisable Value *Market Value* was 2,05,000.
- ii  
Depreciate: Business Premises by 3,000 and Furniture and Fittings by 2,500.
- iii  
Make a provision of 5% on debtors for doubtful debts.
- iv  
Carry forward 2,000 for unexpired insurance.
- v  
Outstanding salary was 15,000.
- Prepare Trading and Profit and Loss Account for the year and Balance Sheet as at that date.

**Solution:**

**Trading Account**

*for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening Stock	2,20,000	Sales	15,00,000
Purchases	11,00,000	Less: Returns	20,000
Carriage on Purchases	18,000	Closing Stock	2,00,600
Gross Profit	3,42,600		
	<b>16,80,600</b>		<b>16,80,600</b>

Note: As per the prudence concept, closing stock is taken to be at the market value or the book value whichever is less.

**Profit & Loss Account**

*for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Commission	22,000	Gross Profit	3,42,600
Insurance Premium	20,000	Discount	20,000
Less: Prepaid	2,000	Rent from Tenants	10,000
Salaries	90,000		
Add: Outstanding Salaries	15,000		
Bad Debts Written Off	8,000		
Provision for Doubtful Debts	9,000		
Discount	16,000		
General Expenses	40,000		
Depreciation on:			
Furniture	2,500		
Business Premises	3,000		
Net Profit	1,49,100		
	<b>3,72,600</b>		<b>3,72,600</b>

**Balance Sheet**

*as on March 31, 2019*

Dr.		Cr.	
Liabilities	Amount	Assets	Amount
Bank Overdraft	42,000	Furniture & Fittings	26,000
Creditors	1,38,000	Less: Depreciation	2,500
Outstanding Salaries	15,000	Business Premises	2,00,000
Capital	3,00,000	Less: Depreciation	3,000
Less: Drawings	50,000	Debtors	1,80,000
Add: Net Profit	1,49,100	Less: Provision	9,000
	3,99,100	Closing Stock	2,00,600

		Prepaid Insurance	2,000
	<b>5,94,100</b>		<b>5,94,100</b>

### Question:7

Following balances are taken from the books of Niranjn. Prepare Trading and Profit and Loss Account and Balance Sheet for the year ended 31st March, 2019:

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	20,000
Salaries	2,40,000	Wages	4,00,000
Bad Debts	10,000	6% Investments	5,00,000
Sundry Debtors	4,00,000	Sundry Creditors	1,90,000
Bills Payable	8,000	Cash	1,22,000
Advertisement Expenses	60,000	Miscellaneous Income	12,000
Patents	48,000		

### Adjustments:

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 a reserve for discount on Debtors @ 2%.

v

Investments were made on 1st July, 2018 and no interest has been received so far.

### Solution:

#### Financial statements of Mr. Niranjn

#### Trading Account

for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening Stock	4,50,000	Sales	43,50,000
Purchases	29,50,000	Less: Sales Return	70,000
Less: Purchases Return	40,000	Closing Stock	7,50,000
Wages	4,00,000		
Add: Outstanding wages	50,000		
Gross Profit (Balancing Figure)	12,20,000		
	<b>50,30,000</b>		<b>50,30,000</b>

**Profit and Loss Account**  
for the year ended March 31, 2019

Dr.			Cr.	
Particulars	Amount		Particulars	Amount
Rent	50,000		Gross Profit	12,20,000
Salaries 2,40,000				
Add: Outstanding Salaries 20,000	2,60,000			
Bad Debts 10,000			Interest Accrued on Investment	
Add: Further Bad Debts 50,000			5,00,000 × 6	22,500
Add: Provision for Doubtful Debts 17,500	77,500		Miscellaneous Receipts	12,000
Advertisement expenses	60,000			
Provision for discount on debtors	6,650			
Insurances	15,000			
Trade Expenses	20,000			
Depreciation on:				
Machinery 24,000				
Furniture 3000	27,000			
Net Profit (Balancing Figure)	7,38,350			
	<b>12,54,500</b>			<b>12,54,500</b>

**Balance Sheet**  
as on March 31, 2019

Liabilities	Amount	Assets	Amount
Capital 12,00,000		<b>Fixed Assets</b>	
Less: Drawings 2,10,000		Patents	48,000
Add: Net Profit 7,38,350	17,28,350	Plant and Machinery 2,40,000	
<b>Current Liabilities</b>		Less: 10% Depreciation 24,000	2,16,000
Sundry Creditors 1,90,000		Furniture 15,000	
Wages Outstanding 50,000		Less: 20% Depreciation 3,000	12,000
Salaries Outstanding 20,000		6% Investment 5,00,000	
Bills Payable 8000		Add: Accrued Interest 22,500	5,22,500
		<b>Current Assets</b>	
		Closing Stock	7,50,000
		Debtors 4,00,000	
		Less: Further Bad Debts 50,000	
		Less: Provision for Doubtful Debts 17,500	
		3,32,500	
		Less: Provision for Discount 6,650	3,25,850
		Cash	1,22,000
	<b>19,96,350</b>		<b>19,96,350</b>

**Question:8**

From the following Trial Balance of Mahesh, prepare his Final Accounts for the year ended 31st March, 2019:

Heads of Accounts	Debit Balances	Credit Balances
Purchases	2,50,000	...
Sales	...	5,00,000
Returns Inward	12,000	...
Returns Outward	...	10,000

Carriage	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	20,000	...
Commission	...	1,000
12% Bank Loan	...	30,000
Capital	...	2,40,000
Rent Received	...	5,000
Cash at Bank	28,000	...
<b>Total</b>	<b>8,88,000</b>	<b>8,88,000</b>

*Additional Information:*

i

Closing Stock on 31st March, 2019 was 21,000.

ii

Rent of 1,200 has been received in advance.

iii

Outstanding liability for Miscellaneous expenses 12,000.

iv

Commission earned during the year but not received was 2,100.

v

Goods costing 2,000 were taken by the proprietor for his personal use but entry was not passed in the books of account. **Solution:**

**Financial Statement of Mahesh  
Trading Account  
for the year ended March 31, 2019**

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening stock	30,000	Sales	5,00,000
Purchases	2,50,000	Less: Return Inwards	12,000
Less: Drawings	2,000	Closing Stock	21,000
Less: Return Outwards	10,000		
Carriage	8,000		
Wages	60,000		
Gross Profit (Balancing Figure)	1,73,000		
	<b>5,09,000</b>		<b>5,09,000</b>

**Profit and Loss Account  
for the year ended March 31, 2019**

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Miscellaneous expenses	2,000	Gross Profit	1,73,000

Add: Outstanding Miscellaneous Expenses	12,000	14,000	Commission	1,000	
Insurance		1,200	Add: Accrued Commission	2,100	3,100
Repairs		8,000	Rent Received	5,000	
Advertisement		15,000	Less: Advance Rent	1,200	3,800
Interest on Bank Loan	2,800				
Add: Interest Outstanding	800	3,600			
Printing and Stationary		6,000			
Net Profit ( <i>Balancing Figure</i> )		1,32,100			
		<b>1,79,900</b>			<b>1,79,900</b>

**Balance Sheet**  
as on March 31, 2019

Liabilities		Amount	Assets		Amount
Capital	2,40,000		<b>Fixed Assets</b>		
Less: Drawings	22,000		Machinery		2,80,000
Add: Net Profit	1,32,100	3,50,100	Furniture		34,000
10% Loan from Bank	30,000		<b>Current Assets</b>		
Add: Outstanding Interest	800	30,800	Closing Stock		21,000
<b>Current Liabilities</b>			Debtors		1,15,000
Creditors		1,00,000	Bills Receivable		4,000
Bills Payable		2,000	Cash at Bank		28,000
Advance Rent		1,200	Cash in Hand		12,000
Outstanding Trade Expenses		12,000	Commission Accrued		2,100
		<b>4,96,100</b>			<b>4,96,100</b>

**Working Notes:**

Calculation of Outstanding Interest on Loan

Interest on loan 30,000 × 12	3,600
Less: Interest Paid	2,800
Interest Outstanding on Loan	800

**Question:9**

Following balances were extracted from the books of Vijay on 31st March, 2019:

Particulars		Particulars	
Capital	2,45,000	Loan	78,800
Drawings	20,000	Sales	6,53,600
General Expenses	47,400	Purchases	4,70,000
Building	1,10,000	Motor Car	20,000
Machinery	93,400	Provision for Doubtful Debts	9,000
Stock on 1st April, 2018	1,62,000	Commission Cr.	13,200
Insurance	13,150	Car Expenses	18,000
Wages	72,000	Bills Payable	38,500
Debtors	62,800	Cash	800
Creditors	25,000	Bank Overdraft	33,000
Bad Debts	5,500	Charity	1,050

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date after

giving effect to the following adjustments:

- a  
Stock as on 31st March, 2019 was valued at 2,30,000.
- b  
Write off further 1,800 as Bad Debts and maintain the Provision for Doubtful Debts at 5%.
- c  
Depreciate Machinery at 10%.
- d  
Provide 7,000 as outstanding interest on loan.

**Solution:**

**Financial Statement of Vijay Kumar**  
**Trading Account**  
*for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount ( )	Particulars	Amount ( )
Opening Stock	1,62,000	Sales	6,53,600
Purchases	4,70,000	Closing Stock	2,30,000
Wages	72,000		
Gross Profit ( <i>Balancing Figure</i> )	1,79,600		
	<b>8,83,600</b>		<b>8,83,600</b>

**Profit and Loss Account**  
*for the year ended March 31, 2019*

Dr.		Cr.	
Particulars	Amount ( )	Particulars	Amount ( )
Taxes and Insurance	13,150	Gross Profit	1,79,600
Bad Debts	5,500	Commission	13,200
<i>Add: Further Bad Debts</i>	1,800		
<i>Add: Provision for Doubtful Debts</i>	3,050		
	10,350		
<i>Less: Exiting Provision</i>	9,000		
	1,350		
Car Expenses	18,000		
Charity	1,050		
Depreciation on Machinery	9,340		
Outstanding Interest on Loan	7,000		
General Expenses	47,400		
Net Profit ( <i>Balancing Figure</i> )	95,510		
	<b>1,92,800</b>		<b>1,92,800</b>

**Balance Sheet**  
*as on March 31, 2019*

Liabilities		Amount ( )	Assets		Amount ( )
Capital	2,45,000	3,20,510	<b>Fixed Assets</b>		
<i>Add: Net Profit</i>	95,510		Building		1,10,000
<i>Less: Drawings</i>	20,000		Machinery	93,400	
Loan	78,800		<i>Less: 10% Depreciation</i>	9,340	84,060
<i>Add: Outstanding Interest</i>	7,000	85,800	Motor Car		20,000
<b>Current Liabilities</b>			<b>Current Assets</b>		
Creditors	25,000		Closing Stock		2,30,000
Bills Payable	38,500		Debtors	62,800	
Bank Overdraft	33,000		<i>Less: Bad Debts</i>	1,800	
			<i>Less: 5% Provision for Doubtful Debts</i>	3,050	57,950
			Cash		800
		<b>5,02,810</b>			<b>5,02,810</b>

**Question:10**

From the following Trial Balance and other information, prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date:

Particulars	Dr.	Cr.
Sundry Debtors	3,20,000	...
Stock on 1st April, 2018	2,20,000	...
Cash in Hand	350	...
Cash at Bank	15,450	...
Plant and Machinery	1,75,000	...
Sundry Creditors	...	1,06,500
General Expenses	10,750	...
Sales	...	13,45,000
Salaries	22,250	...
Carriage Outwards	4,000	...
Rent	9,000	...
Bills Payable	...	75,000
Purchases	11,88,700	...
Discounts	11,000	...
Premises	3,45,000	...
Capital on 1st April, 2018	...	7,95,000
<b>Total</b>	<b>23,21,500</b>	<b>23,21,500</b>

Stock on 31st March, 2019 was 1,24,500. Rent was unpaid to the extent of 850 and 1,500 were outstanding for General Expenses; 4,000 are to be written off as bad debts out of the above debtors; and 5% is to be provided for doubtful debts. Depreciate Plant and Machinery by 10% and Premises by 2%.

Manager is entitled to a commission of 5% on net profit after charging his commission.

**Solution:**

**Financial Statement**  
**Trading Account**

*for the year ended March 31, 2019*

Dr.			Cr.
Particulars	Amount ( )	Particulars	Amount ( )
Opening Stock	2,20,000	Sales	13,45,000
Purchases	11,88,700	Closing Stock	1,24,500
Gross Profit ( <i>Balancing Figure</i> )	60,800		
	<b>14,69,500</b>		<b>14,69,500</b>

**Profit and Loss Account**

*for the year ended March 31, 2019*

Dr.			Cr.
Particulars	Amount ( )	Particulars	Amount ( )
Rent	9,000	Gross Profit	60,800
Add: Outstanding Rent	850	Net Loss ( <i>Balancing Figure</i> )	42,750
General Expenses	10,750		
Add: Outstanding General Expenses	1,500		
Bad Debts	4,000		
Add: Provision for Debts	15,800		
Depreciation on Plant and Machinery	17,500		
Business Premises	6,900		
Salaries			
Carriage Outwards			

Discount	11,000	
	<b>1,03,550</b>	<b>1,03,550</b>

**Balance Sheet**  
as on March 31, 2019

Liabilities	Amount ( )	Assets	Amount ( )
Capital	7,95,000	<b>Fixed Assets</b>	
Less: Net Loss	42,750	Plant and Machinery	1,75,000
<b>Current Liabilities</b>		Less: 10% Depreciation	17,500
Sundry Creditors	1,06,500	Premises	3,45,000
Bills Payable	75,000	Less: 2% Depreciation	6,900
Rent Outstanding	850	<b>Current Assets</b>	
General Expenses Outstanding	1,500	Closing Stock	1,24,500
		Sundry Debtors	3,20,000
		Less: Bad Debts	4,000
			3,16,000
		Less: 5% Provision for Doubtful Debts	15,80
		Cash at Bank	15,450
		Cash in Hand	350
	<b>9,36,100</b>		<b>9,36,100</b>

**Note:** In the question, Manager Commission is given as 5% on Net Profit after charging commission. But, during the year the firm had a Net Loss of Rs 42,750, therefore, manager commission is not payable.

**Question:11**

From the following Trial Balance of Shubho, prepare final accounts for the year ended 31st March, 2019 and Balance Sheet as at that date:

Particulars	Dr. Balances	Cr. Balances
Land and Building	50,000	
Purchases <i>Adjusted</i>	2,10,000	
Stock 31 <sup>st</sup> March, 2019	45,000	
Returns Inward	1,500	
Returns Outward		2,500
Wages	45,300	
Salaries	39,000	
Office Expenses	15,400	
Carriage Inwards	1,200	
Carriage Outwards	2,000	
Discount allowed	750	
Discount received		1,200
Bad Debts	1,200	
Sales		3,85,000
Capital Account		1,15,000
Chatterji's Loan A/c (taken on 1st Oct., 2018 @ 18% p.a.		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

<b>Total</b>	5,70,850	5,70,850

The following adjustments be taken care of:

i

Depreciate Land and Building @ 6%, Plant and Machinery @ 10%, Office equipments @ 20% and Furniture and Fixtures @ 15%.

ii

Calculate Provision for Doubtful Debts at 2% on Sundry Debtors.

iii

Insurance premium includes 250 Insurance Premium paid in advance.

iv

Provide salary to Shubho 15,000 p.a.

v

Outstanding Salaries 11,500.

vi

10% of the final profit is to be transferred to General Reserve.

**Solution:**

### Trading Account

for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Purchases <i>Adjusted</i> 2,10,000		Sales 3,85,000	
Less: Returns 2,500	2,07,500	Less: Returns 1,500	3,83,500
Carriage Inwards	1,200		
Wages	45,300		
Gross Profit	1,29,500		
	<b>3,83,500</b>		<b>3,83,500</b>

### Profit & Loss Account

for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Carriage Outwards	2,000	Gross Profit	1,29,500
Salaries 39,000		Commission	1,500
Add: Outstanding 11,500		Discount	1,200
Add: Payable to Proprietor 15,000	65,500		
Insurance Premium 1,500			
Less: Prepaid 250	1,250		
Discount	750		
Office Expenses	15,400		
Outstanding Interest on Loan	2,250		
Bad Debts 1,200			
Add: Provision for Doubtful Debts 800	2,000		
Depreciation on:			
Furniture & Fixtures 3,000			
Land & Building 3,000			
Office Equipment 2,400			
Plant & Machinery 5,000	13,400		
General Reserve	2,965		
Net Profit	26,685		
	<b>1,32,200</b>		<b>1,32,200</b>

### Balance Sheet

as on March 31, 2019

Dr.		Cr.	
Liabilities	Amount	Assets	Amount
Bills Payable	12,350	Furniture & Fixtures	20,000
Creditors	25,000	Less: Depreciation	3,000
Expenses Payable	3,300	Land & Building	50,000
Capital	1,15,000	Less: Depreciation	3,000
Add: Salary Payable	15,000	Debtors	40,000
Add: Net Profit	26,685	Less: Provision	800
Chatterji's Loan	25,000	Plant & Machinery	50,000
Add: Outstanding Interest	2,250	Less: Depreciation	5,000
General Reserve	2,965	Office Equipment	12,000
Outstanding Salaries	11,500	Less: Depreciation	2,400
		Bills Receivable	20,000
		Closing Stock	45,000
		Cash at Bank	16,000
		Prepaid Insurance	250
	<b>2,39,050</b>		<b>2,39,050</b>

### Question:12

Following is the Trial Balance as on 31st March, 2019. Prepare Trading and Profit and Loss Account and Balance Sheet:

Particulars	Dr.	Cr.
Stock on 1st April, 2018	8,000	
Sales		2,20,000
Purchases	1,26,000	
Productive Wages	56,500	
Salaries	16,000	
Stores Consumed	6,050	
Carriage	3,050	
Rent	5,200	
Insurance	1,320	
Machinery	52,000	
Building	67,000	
Capital Less Drawings		1,45,600
Sundry Debtors	44,000	
Sundry Creditors		20,000
Secured Loan		16,000
Furniture	3,350	
General Expenses	2,600	
Cash in Hand	1,930	
Bad Debts	1,020	
Bank	6,580	
Input CGST	3,000	
Input SGST	3,000	
Output CGST		2,500
Output SGST		2,500
<b>Total</b>	<b>4,06,600</b>	<b>4,06,600</b>

Stock on 31st March, 2019, 20,600.

You are to make adjustments in respect of the following:

a

Depreciate Machinery at 10% p.a.

b

Make a provision @ 5% for Doubtful Debts.

c

Provide discount on debtors @  $2\frac{1}{2}$ %.

d

Rent includes Rent deposit of 400.

e

Insurance Prepaid 120.

**Solution:**

### Trading Account

for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Opening Stock	8,000	Sales	2,20,000
Purchases	1,26,000	Closing Stock	20,600
Carriage	3,050		
Productive Wages	56,500		
Stores Consumed	6,050		
Gross Profit	41,000		
	<b>2,40,600</b>		<b>2,40,600</b>

### Profit & Loss Account

for the year ended March 31, 2019

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Salaries	16,000	Gross Profit	41,000
Insurance Premium	1,320		
Less: Prepaid	120		
Depreciation on Machinery	5,200		
Rent	5,200		
Less: Deposit	400		
Bad Debts	1,020		
Add: Provision for Doubtful Debts	2,200		
Add: Provision for Discount	1,045		
General Expenses	2,600		
Net Profit	6,935		
	<b>1,32,200</b>		<b>1,32,200</b>

### Balance Sheet

as on March 31, 2019

Dr.		Cr.	
Liabilities	Amount	Assets	Amount
Creditors	20,000	Bank	6,580
Secured Loan	16,000	Building	67,000
Capital	1,45,600	Closing Stock	20,600
Add: Net Profit	6,935	Cash in Hand	1,930
	1,52,535	Debtors	44,000
		Less: Provision for DD	2,200
		Less: Provision for Discount	1,045
		Machinery	52,000
		Less: Depreciation	5,200
		Furniture	3,350
		Prepaid Insurance	120
		Rent Deposit	400
		Input CGST	500

		Input SGST	500
	<b>1,88,535</b>		<b>1,88,535</b>

### Question:13

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date from the following Trial Balance:

Particulars	Dr.	Cr.
Capital	...	1,00,000
Cash	15,000	...
Bank Loan	...	20,000
Purchases	1,20,000	...
Sales	...	1,50,000
Sales Return	10,000	...
Purchases Return	...	20,000
Establishment Expenses	22,000	...
Taxes and Insurance	5,000	...
Bad Debts	5,000	...
Provision for Doubtful Debts	...	7,000
Debtors	50,000	...
Creditors	...	20,000
Commission	...	5,000
Deposits	40,000	...
Opening Stock	30,000	...
Drawings	14,000	...
Furniture	6,000	...
Bills Receivable	32,000	...
Bills Payable	...	25,000
Input CGST	10,000	...
Input SGST	10,000	...
Output CGST	...	8,000
Output SGST	...	8,000
Output IGST	...	6,000
<b>Total</b>	<b>3,69,000</b>	<b>3,69,000</b>

### Adjustments:

i

Taxes 3,000 are outstanding but Insurance 500 is prepaid.

ii

Commission 1,000 received in advance for the next year.

iii

Interest 2,100 is to be received on Deposits and Interest on Bank Loan 3,000 is to be paid.

iv

Provision for Doubtful Debts to be maintained at 10,000.

v

Depreciate Furniture by 10%.

vi

Stock on 31st March, 2019 is 45,000.

vii

A fire occurred on 1st April, 2019 destroying goods costing 10,000. These goods were purchased paying CGST and SGST @ 6% each.

### Solution:

### Financial Statements Trading Account for the year ended March 31, 2019

Dr.

Cr.

Particulars	Amount	Particulars	Amount
Opening Stock	30,000	Sales	1,50,000
Purchases	1,20,000	Less: Return	10,000
Less: Return	20,000	Closing Stock	45,000
	1,00,000		
Gross Profit ( <i>Balancing Figure</i> )	55,000		
	<b>1,85,000</b>		<b>1,85,000</b>

**Profit and Loss Account**  
for the year ended March 31, 2019

Dr.	Particulars	Amount	Cr.	Particulars	Amount
	Taxes and Insurance	5,000		Gross Profit	55,000
	Add: Outstanding Taxes	3,000		Commission	5,000
	Less: Prepaid Insurance	500		Less: Advance Commission	1,000
		7,500		Interest Accrued on Investment	2,100
	Bad Debts	5,000			
	Add: Bad Debts Reserve	10,000			
	Less: Existing Reserve	10,000			
		5,000			
	Depreciation on Furniture	600			
	Outstanding Interest on Loan	3,000			
	Establishment Charges	25,000			
	Net Profit ( <i>Balancing Figure</i> )	20,000			
		<b>61,100</b>			<b>61,100</b>

**Balance Sheet**  
as on March 31, 2019

Liabilities	Amount	Assets	Amount
Capital	1,00,000	Investments Deposits	40,000
Less: Drawings	14,000	Add: Accrued Interest	2,100
Add: Net Profit	20,000	Furniture	6,000
	1,06,000	Less: 10% Depreciation	600
Bank Loan	20,000	Sundry Debtors	50,000
Add: Interest Outstanding	3,000	Less: Provision for Doubtful Debts	10,000
Sundry Creditors	20,000	Bills Receivable	32,000
Advance Commission	1,000	Prepaid Insurance	500
Bills Payable	25,000	Closing Stock	45,000
Taxes Outstanding	3,000	Cash in Hand	15,000
GST Payable WN2	2,000		
	<b>1,80,000</b>		<b>1,80,000</b>

**Working Notes:**

1

Loss of stock by fire has occurred on 1st April, 2019. Hence, it will not affect the Balance Sheet dated 31st March, 2019.

2

GST Set off

**First:**CGST Payable/

Receivable=Output CGST-Input CGST=8,000-10,000=

2,000

**Second:**SGST Payable/

Receivable=Output SGST-Input SGST=8,000-10,000=  
2,000

**Third:**IGST Payable/

Receivable=Output IGST-Input CGST-Input SGST=6,000-2,000-2,000=2,000

**Final:**GST Payable=Output IGST=2,000