Chapter 14- Adjustments in Preparation of Financial Statements

Q.1 State whether the following expenses are capital or revenue in nature:
(i) Expenses on whitewashing and painting of a building purchased to make it ready for use.
(ii) ₹ 10,000 spent on constructing platform for a new machine.
(iii) Repair expenses of ₹ 25,000 incurred for whitewashing of factory building.
(iv) Insurance premium paid as renewal premium.
(v) Purchased a new car.

The solution can be presented as follows

(i) Capital Expenditure

(ii) Capital Expenditure

(iii) Revenue Expenditure

(iv) Revenue Expenditure

(v) Capital Expenditure

Q.2 State with reasons whether the following are Capital or Revenue Expenses:
(i) Excise duty paid on purchase of new machine.
(ii) Wages paid to install a machine.
(iii) Repairs carried out on existing car.
(iv) Office block of building repainted for ₹ 50,000.
(v) Paid telephone bill ₹ 2,500.

The solution can be presented as follows

Expenditure	Reason
(i) Capital Expenditure	Paid for the acquisition of new asset
(ii) Capital Expenditure	Paid to make the asset ready to use
(iii)Revenue Expenditure	Paid for the running and maintenance of car
(iv)Revenue Expenditure	Paid for the maintenance of Building
(v) Revenue Expenditure	Part of normal operating cost

Q.3 From the following information, determine Gross Profit for the year ended 31st March, 2019:

	₹		₹
Opening Stock (1st April, 2018)	**25,000**	**Goods purchased during the year**	**1,40,000**
Freight and Packing	**10,000**	**Closing Stock (31st March, 2019)**	**30,000**
Sales	**1,90,000**	**Packing Expenses on Sales**	**6,000**

The solution can be presented as follows

Gross Profit = Sales + Closing Stock – (Opening Stock + Goods Purchased +Freight and Packing)

= 1,90,000 + 30,000 – (25,000 + 1,40,000 + 10,000)

= 2,20,000 – 1,75,000

= 45,000

N.B: The entry packing expense on sales is an indirect expense and therefore is not considered to be a part of the Gross Profit.

Q.4 Calculate Closing Stock from the following details:

	₹		₹
Opening Stock	**20,000**	**Purchases**	**70,000**
Cash Sales	**60,000**	**Credit Sales**	**40,000**
		Rate of Gross Profit on Cost 33 1/3%	

The solution can be presented as follows

Gross Profit on cost = 33 1/3 %.
Cost =1/3rd.
Gross Profit on sales = ¼ th

Also,
Sales = Cash Sales + Credit Sales = 60,000+40,000
= 1,00,000

So, Gross Profit =1,00,000 x ¼
= 25,000

Cost of Goods Sold = Sales - Gross Profit
= 1,00,000 - 25,000
= 75,000

Cost of Goods Sold = Opening Stock + Purchases- Closing Stock

Now putting the values in this formula, we get

75,000 = 20,000 + 70,000 - Closing Stock

Closing Stock = 90,000- 75,000
= 15,000

Q.5 Prepare Trading Account from the transactions given below:

	₹		₹
Opening Stock	**23,000**	**Purchases Return**	**2,400**
Purchases	**29,000**	**Closing Stock**	**47,700**
Sales Return	**500**	**Carriage Inwards**	**100**
Sales	**25,400**	**Depreciation**	**2,000**

Also pass the Journal entries.

The solution can be presented as follows

Trading Account

Dr. **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
Opening Stock		23,000	Sales	25,400	
Purchases	29,000		*Less*: Sales Return	(500)	24,900
Less: Purchases Return	(2,400)	26,600	Closing Stock		47,700
Carriage Inwards		100			
Gross Profit (*Balancing Figure*)		22,900			
		72,600			72,600

N.B: As Depreciation is regarded an Indirect Expense, it is not shown in trading account

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Trading A/c	Dr.		52,600	
	To Opening Stock A/c				23,000
	To Purchases A/c				29,000
	To Carriage Inwards A/c				100
	To Sales Return A/c				500
	(Transfer of balances to the debit side of Trading A/c)				
	Sales A/c	Dr.		25,400	
	Purchase Return A/c	Dr.		2,400	
	To Trading A/c				27,800
	(Transfer of balances to the credit side of Trading A/c)				
	Closing Stock A/c	Dr.		47,700	
	To Trading A/c				47,700
	(Recording of Closing Stock)				
	Trading A/c	Dr.		22,900	
	To Profit & Loss A/c				22,900
	(Transfer of gross profit to the Profit & Loss A/c)				

Q.6 Ascertain Gross Profit from the following:

	₹		₹
Opening Stock	**2,00,000**	**Carriage on Sales**	**30,000**
Closing Stock	**1,80,000**	**Office Rent**	**58,000**
Purchases	**8,50,000**	**Sales**	**14,07,000**
Carriage on Purchases	**23,000**		

The solution can be presented as follows

Trading Account

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Opening Stock	2,00,000	Sales	14,07,000
Purchases	8,50,000	Closing Stock	1,80,000
Carriage on Purchases	23,000		
Gross Profit (*Balancing Figure*)	5,14,000		
	15,87,000		15,87,000

Here gross profit is calculated to be 5,14,000

N.B: The entries such as the Carriage on sales and Office Rent are the Indirect Expenses, therefore, these entries are not considered for calculating gross profit.

Q.7 From the following information, prepare Trading Account for the year ended 31st March, 2019:

	₹		₹
Stock on 1st April, 2018	**40,000**	**Returns Outward**	**80,000**
Purchases	**4,00,000**	**Wages and Salaries**	**50,000**
Sales	**3,80,000**	**Returns Inward**	**20,000**
Carriage Inwards	**20,000**	**Stock on 31st March, 2019**	**1,30,000**

Net Realisable Value (Market Value) of stock as on 31st March, 2019 was ₹ 1,20,000.

The solution can be presented as follows

Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
Opening Stock		40,000	Sales	3,80,000	
Purchases	4,00,000		*Less*: Return Inwards	(20,000)	3,60,000
Less: Return Outwards	(80,000)	3,20,000	Closing Stock		1,20,000
Carriage Inwards		20,000			
Wages and Salaries		50,000			
Gross Profit (*Balancing Figure*)		50,000			
		4,80,000			4,80,000

Note: According to Principle of Conservatism, closing stock is taken at Cost or Market Price whichever is less. Therefore, Closing Stock is taken at its Market Price (i.e. ₹ 1,20,000) instead of its Cost (i.e. ₹ 1,30,000).

Q.8 From the following information, prepare Trading Account for the year ended 31st March, 2019: Adjusted Purchases ₹ 6,60,000; Sales ₹ 7,44,000; Closing Stock ₹ 50,400; Freight and Carriage Inwards ₹ 3,600; Wages ₹ 6,000; Freight and Cartage Outwards ₹ 2,000.

The solution can be presented as follows

Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Purchase (*Adjusted*)	6,60,000	Sales	7,44,000
Freight and Carriage Inwards	3,600		
Wages	6,000		
Gross Profit (*Balancing Figure*)	74,400		
	7,44,000		7,44,000

Notes:

1. Freight and Carriage Outwards being indirect expenses are not recorded in the Trading Account.
2. Closing Stock amounting to 50,400 is not recorded in the Trading Account as it has been adjusted with the Adjusted purchases.

Q.9 Following balances appear in the Trial Balance of a firm as on 31st March, 2019:

		₹
Opening Stock:	**Raw Material**	**80,000**
	Finished Goods	**1,40,000**
Purchases		**3,60,000**
Sales		**7,00,000**
Returns:	**Purchases**	**10,000**
	Sales	**6,000**
Wages		**1,30,000**
Factory Expenses		**90,000**
Freight:	**Inwards**	**20,000**
	Outwards	**30,000**
At the end of the accounting period, stock was:		
Raw Materials		**70,000**
Work-in-Process		**20,000**
Finished Goods		**1,10,000**

Prepare Trading Account of the firm.

The solution can be presented as follows

Financial Statement of….
Trading Account
for the year ended March 31,2019

Dr. **Cr.**

Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
Opening Stock			Sales	7,00,000	
Raw Materials	80,000		*Less*: Return Inwards	6,000	6,94,000
Finished Goods	1,40,000	2,20,000	**Closing Stock**		
Purchases	3,60,000		Raw Materials	70,000	
Less: Return Outwards	10,000	3,50,000	Work-in-Progress	20,000	
Freight Inwards		20,000	Finished Goods	1,10,000	2,00,000
Wages		1,30,000			
Factory Expenses		90,000			
Gross Profit (*Balancing Figure*)		84,000			
		8,94,000			8,94,000

Note: Freight outwards being an indirect expense will be recorded in Profit & Loss A/c.

Q.10 From the following information, prepare Trading account for the year ended 31st March, 2019: Adjusted Purchases ₹ 5,50,000; Sales ₹ 6,25,000; Freight and Carriage Inwards ₹ 3,000; Wages ₹ 7,000; Freight and Cartage Outwards ₹ 2,500; Closing Stock ₹ 50,000.

The solution can be presented as follows

Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Purchase (*Adjusted*)	5,50,000	Sales	6,25,000
Freight and Carriage Inwards	3,000		
Wages	7,000		
Gross Profit (*Balancing Figure*)	65,000		
	6,25,000		6,25,000

Notes:

1. Freight and Carriage Outwards are indirect expenses; therefore, it is not recorded in the Trading Account.
2. Closing Stock is not recorded in the Trading Account as it is already adjusted in the amount of Adjusted Purchases.

Q.11 From the following figures, calculate Operating Profit:

	₹		₹
Net Profit	**1,00,000**	**Rent Received**	**10,000**
Gain on Sale of Machine	**15,000**	**Interest on Loans**	**20,000**
Donation	**2,000**		

The solution can be presented as follows

Calculating Operating Profit

Operating Profit = Net Profit - Rent Received - Gain of sales of Machine + Interest on Loan + Donation
= 1,00,000 - 10,000 - 15,000 + 20,000 + 2,000
= Rs.97,000

Q.12 From the following, prepare Profit and Loss Account of Sohan Lal as it would appear in the 1st year that ended 31st March, 2019:

	₹		₹
Salaries and Wages	**30,000**	**Advertising**	**10,000**
Commission Paid	**2,000**	**Discount Allowed**	**18,000**
Postage and Courier	**1,500**	**Rent Received**	**17,000**
Insurance	**3,000**	**Interest on Investment**	**15,000**
Interest Paid	**4,000**	**Bad Debts**	**9,000**
Carriage Outwards	**5,000**	**Brokerage Paid**	**950**

The Gross Profit was 45% of sales, which amounted to ₹ 6,50,000.
Also, pass the Journal entries.

The solution can be presented as follows

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

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
Salaries and Wages	30,000	Gross Profit (6,50,000 × 45%)	2,92,500
Commission Paid	2,000	Rent Received	17,000
Postage and Telegram	1,500	Interest on Investments	15,000
Insurance	3,000		
Interest Paid	4,000		
Carriage Outwards	5,000		
Advertising	10,000		
Discount Allowed	18,000		
Bad Debts	9,000		
Brokerage Paid	950		
Net Profit (*Balancing Figure*)	2,41,050		
	3,24,500		**3,24,500**

Q.13 From the following information, prepare Profit and Loss Account for the year ended 31st March, 2019:

	₹		₹
Gross Profit	**1,20,000**	**Discount Received**	**6,000**
Rent	**5,000**	**Printing and Stationery**	**4,000**
Salary	**35,000**	**Legal Charges**	**10,000**
Commission Paid	**19,000**	**Bad Debts**	**2,000**
Interest on Loan	**5,000**	**Loss by Fire**	**6,000**
Advertisement	**8,000**	**Depreciation**	**4,000**
Interest Received	**8,000**	**Input IGST A/c**	**2,000**
Output IGST A/c	**1,000**		

The solution can be presented as follows

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

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
Rent	5,000	Gross Profit	1,20,000
Salary	35,000	Interest Received	8,000
Commission Paid	19,000	Discount Received	6,000
Interest on Loan	5,000		
Advertisement	8,000		
Printing and Stationery	4,000		
Legal Charges	10,000		
Bad Debts	2,000		
Loss by Fire	6,000		
Depreciation	4,000		
Net Profit (*Balancing Figure*)	36,000		
	1,34,000		**1,34,000**

Q.14 From the following particulars, prepare Balance Sheet as at 31st March, 2019:

	Dr. (₹)	Cr. (₹)
Capital	**…**	**4,00,000**
Drawings	**44,000**	**…**
Debtors and Creditors	**64,000**	**42,000**
Cash in Hand	**3,600**	**…**
Cash at Bank	**72,000**	**…**
Plant	**1,00,000**	**…**
Furniture	**37,000**	**…**
Net Profit	**…**	**16,600**
General Reserve	**…**	**10,000**
Closing Stock	**1,48,000**	**…**
Total	**4,68,600**	**4,68,600**

The solution can be presented as follows

Balance Sheet
as on March 31, 2019

Liabilities		Rs.	Assets	Rs.
Capital	4,00,000		Plant	1,00,000
Less: Drawings	(44,000)		Furniture	37,000
Add: Net Profit	16,600	3,72,600	Closing Stock	1,48,000
General Reserve		10,000	Debtors	64,000
Creditors		42,000	Cash at Bank	72,000
			Cash in Hand	3,600
		4,24,600		**4,24,600**

Q.15 From the following information, prepare Balance Sheet of a trader as at 31st March, 2019 arranging the assets and liabilities–(i) in order of permanence and (ii) in order of liquidity:

	₹		₹
Goodwill	**20,000**	**Bank**	**20,000**
Capital	**1,80,000**	**Sundry Creditors**	**63,000**
Liabilities for Expenses	**1,200**	**Bills Receivable**	**13,000**
Cash in Hand	**1,000**	**Plant and Machinery**	**40,000**
Investment	**20,000**	**Provision for Doubtful Debts**	**2,500**
Bills Payable	**10,700**	**Closing Stock**	**80,000**
Net Profit	**92,600**	**Furniture**	**16,000**
Sundry Debtors	**50,000**	**Drawing**	**30,000**
Land and Building	**60,000**		

The solution can be presented as follows

(I) **Balance Sheet in Order of Permanence**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	1,80,000		Goodwill		20,000
Less: Drawings	(30,000)		Land and Building		60,000
Add: Net Profit	92,600	2,42,600	Plant and Machinery		40,000
Sundry Creditors		63,000	Furniture		16,000
Bills Payable		10,700	Investment		20,000
Liabilities for Expenses		1,200	Closing Stock		80,000
			Sundry Debtors	50,000	
			Less: Provision for Doubtful Debts	(2,500)	47,500
			Bill Receivable		13,000
			Bank		20,000
			Cash in Hand		1,000
		3,17,500			**3,17,500**

(II) Balance Sheet in Order of Liquidity

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	1,80,000		Goodwill		20,000
Less: Drawings	(30,000)		Land and Building		60,000
Add: Net Profit	92,600	2,42,600	Plant and Machinery		40,000
Sundry Creditors		63,000	Furniture		16,000
Bills Payable		10,700	Investment		20,000
Liabilities for Expenses		1,200	Closing Stock		80,000
			Sundry Debtors	50,000	
			Less: Provision for Doubtful Debts	(2,500)	47,500
			Bill Receivable		13,000
			Bank		20,000
			Cash in Hand		1,000
		3,17,500			**3,17,500**

Q.16 From the Balance Sheet given below, calculate:
(i) Fixed Assets (ii) Current Assets
(iii) Current Liabilities (iv) Working Capital

BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Trade Creditors	42,000	Stock in Hand	48,000
Expenses Accrued	3,200	Debtors	36,000
Bank Overdraft	4,800	Prepaid Expenses	400
Long-Term Loan	20,000	Goodwill	20,000
Interest on Loan	1,000	Land	20,000
Capital	93,400	Plant	32,000
		Furniture	8,000
	1,64,400		1,64,400

The solution can be presented as follows

i. Calculation of Fixed Asset
Fixed Assets =Land + Plant + Furniture + Goodwill
= 20,000 + 32,000 + 8,000 + 20,000
=Rs.80,000

ii. Calculation of Current Assets
Current Assets =Stock + Debtors + Prepaid Expenses
= 48,000 + 36,000 + 400
=Rs.84,400

iii. Calculation of Current Liabilities
Current Liabilities =Creditors + Expenses Accrued + Bank Overdraft + Interest on Loan
= 42,000 + 3,200 +4,800 + 1,000
= Rs.51,000

iv. Calculation of Working Capital
Working Capital = Current Assets - Current Liabilities
= 84,400 - 51,000
= Rs.33,400

Q.17 Prepare Trading and Profit and Loss Account and Balance Sheet of Jagat Shah as at 31st March, 2019 from the following balances:

	₹		₹
Capital (Cr.)	**3,60,000**	**Salaries**	**60,000**
Machinery	**70,000**	**General Expenses**	**20,000**
Sales	**8,20,000**	**Rent**	**50,000**
Purchases	**4,00,000**	**Purchases Return**	**5,000**
Sales Return	**10,000**	**Debtors**	**3,00,000**
Stock on 1st April, 2018	**1,00,000**	**Cash**	**40,000**
Drawings	**40,000**	**Carriage Outwards**	**20,000**
Wages	**1,00,000**	**Advertising**	**20,000**
Carriage Inwards	**5,000**	**Creditors**	**50,000**

The Closing Stock was valued at ₹ 2,00,000.

The solution can be presented as follows

Financial Statements of Jagat Shah

Trading Account
for the year ended March 31, 2019

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
Opening Stock		1,00,000	Sales	8,20,000	
Purchases	4,00,000		*Less*: Sales Return	(10,000)	8,10,000
Less: Purchases Return	(5,000)	3,95,000	Closing Stock		2,00,000
Wages		1,00,000			
Carriage Inwards		5,000			
Gross Profit (*Balancing Figure*)		4,10,000			
		10,10,000			**10,10,000**

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

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Salaries	60,000	Gross Profit	4,10,000
General Expenses	20,000		
Rent	50,000		
Carriage Outwards	20,000		
Advertising	20,000		
Net Profit (*Balancing Figure*)	2,40,000		
	4,10,000		**4,10,000**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	3,60,000		**Fixed Assets**	
Less: Drawings	(40,000)		Machinery	70,000
Add: Net Profit	2,40,000	5,60,000	**Current Assets**	
Current Liabilities			Closing Stock	2,00,000
Creditors		50,000	Debtors	3,00,000
			Cash	40,000
		6,10,000		**6,10,000**

Q.18 From the following balances, prepare Trading and Profit and Loss Account and Balance Sheet:

Debit Balances:	**₹**	**Debit Balances (Contd.):**	**₹**
Machinery	**3,50,000**	**Rent**	**45,000**
Debtors	**2,70,000**	**Sundry Expenses**	**20,000**
Drawings	**90,000**	**Carriage**	**15,000**
Purchases	**9,50,000**	**Credit Balances:**	
Wages	**5,00,000**	**Capital**	**10,00,000**
Bank	**1,50,000**	**Creditors**	**1,40,000**
Opening Stock	**2,00,000**	**Sales**	**14,50,000**

Closing Stock was valued at ₹ 30,000.

The solution can be presented as follows

Trading Account

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Opening Stock	2,00,000	Sales	14,50,000
Purchases	9,50,000	Closing Stock	30,000
Wages	5,00,000	Gross Loss (*Balancing Figure*)	1,85,000
Carriage	15,000		
	16,65,000		**16,65,000**

Profit and Loss Account

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Gross Loss	1,85,000		
Rent	45,000	Net Loss (*Balancing Figure*)	2,50,000
Sundry Expenses	20,000		
	2,50,000		**2,50,000**

Balance Sheet

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	10,00,000		**Fixed Assets**	
Less: Drawings	(90,000)		Machinery	3,50,000
Less: Net Loss	(2,50,000)	6,60,000	**Current Assets**	
Current Liabilities			Closing Stock	30,000
Creditors		1,40,000	Debtors	2,70,000
			Bank	1,50,000
		8,00,000		**8,00,000**

Q.19 The following are the balances as on 31st March, 2019 extracted from the books of Dass:

	₹		₹
Sales	**9,20,000**	**Postage and Courier**	**6,200**
Purchases	**6,83,000**	**Miscellaneous Expenses**	**9,000**
Returns Inward	**13,000**	**Bad Debts**	**4,000**
Returns Outward	**22,000**	**Debtors**	**2,20,000**
Stock on 1st April, 2018	**1,76,000**	**Creditors**	**1,28,000**
Carriage Inwards	**24,000**	**Loan from Sahil**	**50,000**
Rent	**22,000**	**Capital**	**5,25,000**
Discount	**37,500**	**Drawings**	**19,100**
Printing	**7,200**	**Business Premises**	**3,90,000**
Insurance	**5,000**	**Office Furniture**	**15,000**
Travelling Expenses	**14,000**		

The stock on 31st March, 2019 was valued at ₹ 2,40,000.
You are required to prepare Trading Account, Profit and Loss Account and Balance Sheet as at 31st March, 2019.

The solution can be presented as follows

Financial Statement of Bhagwan Das
Trading Account
for the year ended March 31, 2019

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
Stock		1,76,000			
Purchases	6,83,000		Sales	9,20,000	
Less: Return Outwards	(22,000)	6,61,000	*Less*: Return Inwards	(13,000)	9,07,000
Carriage Inwards		24,000	Closing Stock		2,40,000
Gross Profit (*Balancing Figure*)		2,86,000			
		11,47,000			**11,47,000**

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

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Rent, Rates and Taxes	22,000	Gross Profit	2,86,000
Discount	37,500		
Printing	7,200		
Insurance	5,000		
Travelling Expenses	14,000		
Postage and Courier	6,200		
Miscellaneous Expenses	9,000		
Bad Debts	4,000		
Net Profit (*Balancing Figure*)	1,81,100		
	2,86,000		**2,86,000**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	5,25,000		**Fixed Assets**	
Less: Drawings	(19,100)		Business Premises	3,90,000
Add: Net Profit	1,81,100	6,87,000	Office Furniture	15,000
Loan from Sahil		50,000	**Current Assets**	
Current Liabilities			Closing Stock	2,40,000
Creditors		1,28,000	Debtors	2,20,000
		8,65,000		**8,65,000**

Q.20 From the following balances of Anand, prepare Trading Account, Profit and Loss Account, and Balance Sheet as at 31st March, 2019:

Credit Balances:	**₹**	**Debit Balances (Contd.):**	**₹**
Capital	**3,60,000**	**Postage**	**2,730**
Creditors	**87,200**	**Bad Debts**	**2,870**
Bills Payable	**25,270**	**Interest**	**12,950**
Sales	**7,81,820**	**Insurance**	**4,170**
Bad Debts Recovered	**1,750**	**Machinery**	**1,00,000**
Loan	**1,20,000**	**Stock (Opening)**	**99,450**
Debit Balances:		**Purchases**	**6,20,920**
Debtors	**38,850**	**Wages**	**43,000**
Salaries	**40,000**	**Building**	**2,37,800**
Discount	**10,000**	**Selling Expenses**	**1,750**
		Fixtures and Fittings	**1,61,550**

Value of goods on hand (31st March, 2019) was ₹ 1,43,000.

The solution can be presented as follows

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

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Opening Stock	99,450	Sales	7,81,820
Purchases	6,20,920	Closing Stock	1,43,000
Wages	43,000		
Gross Profit (*Balancing Figure*)	1,61,450		
	9,24,820		**9,24,820**

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

Dr. | | | Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Salaries	40,000	Gross Profit	1,61,450
Discount	10,000	Bad debts Recovered	1,750
Selling Expense	1,750		
Postage	2,730		
Bad Debts	2,870		
Interest	12,950		
Insurance	4,170		
Net Profit (*Balancing Figure*)	88,730		
	1,63,200		**1,63,200**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capita	3,60,000		**Fixed Assets**	
Add: Net Profit	88,730	4,48,730	Building	2,37,800
Loan		1,20,000	Machinery	1,00,000
Current Liabilities			Fixtures and fittings	1,61,550
Creditors		87,200	**Current Assets**	
Bills Payable		25,270	Closing Stock	1,43,000
			Debtors	38,850
		6,81,200		**6,81,200**

Q.21 From the following balances, prepare Final Accounts of M/s Raja & Sons for the year ended 31st March, 2019:

Salary ₹ 5,400; Insurance ₹ 2,500; Cash ₹ 400; Purchases ₹ 84,170; Rent Received ₹ 3,150; Drawings ₹ 2,100; Bills Payable ₹ 3,900; Debtors ₹ 38,080; Stock (1st April, 2018) ₹ 29,500; Bank Overdraft ₹ 9,700; Carriage ₹ 2,200; Creditors ₹ 4,200; Trade Expenses ₹ 4,900; Sales Return ₹ 4,700; Machinery ₹ 12,000; Wages ₹ 45,000; Sales ₹ 1,47,200; Purchases Return ₹ 3,900; Capital ₹ 58,900; Closing Stock (31st March, 2019) ₹ 36,200.

The solution can be presented as follows

Financial Statement of M/s. Raja & Sons
Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
Opening Stock		29,500	Sales	1,47,200	
Purchases	84,170		*Less*: Sales Return	(4,700)	1,42,500
Less: Purchases Return	(3,900)	80,270	Closing Stock		36,200
Carriage		2,200			
Wages		45,000			
Gross Profit (*Balancing Figure*)		21,730			
		1,78,700			**1,78,700**

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

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Salary	5,400	Gross Profit	21,730
Insurance	2,500	Rent Received	3,150
Trade Expenses	4,900		
Net profit (*Balancing Figure*)	12,080		
	24,880		**24,880**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	58,900		**Fixed Assets**	
Add: Net Profit	12,080		Machinery	12,000
Less: Drawings	(2,100)	68,880		
Current Liabilities			**Current Assets**	
Creditors		4,200	Closing Stock	36,200
Bank Overdraft		9,700	Debtors	38,080
Bills Payable		3,900	Cash	400
		86,680		**86,680**

Q.22 From the following balances, prepare Final Accounts of M/s Mangal & Sons for the year ended 31st March,2019:
Opening Stock ₹ 12,500; Bills Receivable ₹ 2,000; Sales ₹ 70,000; Purchases ₹ 37,500; Creditors ₹ 20,000; Salaries ₹ 3,850; Insurance ₹ 200; Debtors ₹ 32,500; Carriage ₹ 1,450; Commission ₹ 750; Interest ₹ 900; Printing ₹ 250; Bills Payable ₹ 3,150; Returns In ₹ 1,300; Returns Out ₹ 500; Bank ₹ 5,250; Rent and Taxes ₹ 1,300; Furniture ₹ 1,000; Capital ₹ 7,100; Stock on 31st March, 2019 ₹ 15,000.

The solution can be presented as follows

Financial Statement of M/s. Mangal & Sons
Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
Opening Stock		12,500	Sales	70,000	
Purchases	37,500		*Less*: Return Inwards	(1,300)	68,700
Less: Return Outwards	(500)	37,000	Closing Stock		15,000
Carriage		1,450			
Gross Profit (*Balancing Figure*)		32,750			
		83,700			**83,700**

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

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Salary	3,850	Gross Profit	32,750
Insurance	200		
Commission	750		
Interest	900		
Printing	250		
Rent and Taxes	1,300		
Net Profit (*Balancing Figure*)	25,500		
	32,750		**32,750**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	7,100		**Fixed Assets**	
Add: Net Profit	25,500	32,600	Furniture	1,000
Current Liabilities			**Current Assets**	
Creditors		20,000	Closing Stock	15,000
Bills Payable		3,150	Debtors	32,500
			Bills Receivable	2,000
			Bank	5,250
		55,750		**55,750**

Q.23 From the following balances, prepare Trading and Profit and Loss Account and the Balance Sheet:

Debit Balances:	**₹**	**Debit Balances (Contd.):**	**₹**
Machinery	**2,00,000**	**Opening Stock**	**2,00,000**
Building	**1,50,000**	**Rent**	**45,000**
Debtors	**2,70,000**	**Sundry Expenses**	**20,000**
Drawings	**90,000**	**Carriage**	**15,000**
Purchases	**9,50,000**	**Credit Balances:**	
Wages	**5,00,000**	**Capital**	**10,00,000**
Bed Debts	**10,000**	**Creditors**	**1,40,000**
Bank	**1,50,000**	**Sales**	**14,50,000**
		Commission	**10,000**

Closing Stock was of ₹ 70,000 but its net realisable value was estimated at ₹ 60,000.

The solution can be presented as follows

Financial Statement of….

Trading Account
for the year ended …

Dr. **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Opening Stock	2,00,000	Sales	14,50,000
Purchases	9,50,000	Closing Stock (Note)	60,000
Carriage	15,000	Gross Loss (*Balancing Figure*)	1,55,000
Wages	5,00,000		
	16,65,000		16,65,000

Profit and Loss Account
for the year ended March 31, ….

Dr. Particulars	Amount (₹)	Particulars	Cr. Amount (₹)
Gross Loss	1,55,000	Commission	10,000
Bad Debts	10,000	Net Loss (*Balancing Figure*)	2,20,000
Rent	45,000		
Sundry Expenses	20,000		
	2,30,000		2,30,000

Balance Sheet
as on March 31, ….

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	10,00,000		**Fixed Assets**	
Less: Net Loss	2,20,000		Building	1,50,000
Less: Drawings	90,000	6,90,000	Machinery	2,00,000
Current Liabilities			**Current Assets**	
Creditors		1,40,000	Closing Stock	60,000
			Debtors	2,70,000
			Bank	1,50,000
		8,30,000		8,30,000

Note: Closing Stock is recorded at cost price or market price which is lower.

Q.24 From the following balances taken from the books of Hari & Co., prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date:

	₹		₹
Capital	**3,50,000**	**Salaries**	**11,100**
Building	**1,87,500**	**Discount Allowed**	**3,000**
Machinery	**92,500**	**Interest on Investments**	**1,000**
Debtors	**35,000**	**Stock (1st April, 2018)**	**1,65,000**
Investments	**35,000**	**Bills Payable**	**50,000**
General Expenses	**8,000**	**Sales**	**6,35,000**
Rent Paid	**37,100**	**Purchases**	**4,68,500**
Proprietor's Drawings	**6,500**	**Wages**	**25,000**
Electricity Charges	**1,900**	**Cash in Hand**	**18,000**
Carriage Inwards	**8,500**	**Sundry Creditors**	**1,00,000**
Cash at Bank	**30,000**	**Returns Inward**	**4,500**
Returns Outward	**1,100**		

Closing Stock was valued at ₹ 1,82,100.

The solution can be presented as follows

Financial Statement of….

Trading Account
for the year ended …

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	2,00,000	Sales	14,50,000
Purchases	9,50,000	Closing Stock (Note)	60,000
Carriage	15,000	Gross Loss (*Balancing Figure*)	1,55,000
Wages	5,00,000		
	16,65,000		16,65,000

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

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
General Expenses	8,000		
Rent Paid	37,100	Gross Profit	1,46,700
Electricity Charges	1,900	Interest on Investments	1,000
Salaries	11,100		
Discount Allowed	3,000		
Net Profit (*Balancing Figure*)	86,600		
	1,47,700		**1,47,700**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	3,50,000		**Fixed Assets**	
Add: Net Profit	86,600		Building	1,87,500
Less: Drawings	(6,500)	4,30,100	Machinery	92,500
Current Liabilities			Investments	35,000
Sundry Creditors		1,00,000	**Current Assets**	
Bills Payable		50,000	Closing Stock	1,82,100
			Debtors	35,000
			Cash at bank	30,000
			Cash in Hand	18,000
		5,80,100		**5,80,100**

Q.25 From the following balances, as on 31st March, 2019, prepare Trading and Profit and Loss Account and Balance Sheet:

	₹		₹
Capital Account	**1,00,000**	**Returns Outward**	**5,000**
Plant and Machinery	**40,000**	**Rent**	**4,000**
Sundry Debtors	**24,000**	**Sales**	**1,64,000**
Sundry Creditors	**12,000**	**Manufacturing Expenses**	**8,000**
Life Insurance Premium	**12,000**	**Trade Expenses**	**7,000**
Purchases	**1,05,000**	**Bad Debts**	**2,000**
Wages	**50,000**	**Carriage**	**1,500**
Bank	**10,000**	**Bills Payable**	**7,000**
Repairs	**500**	**Returns Inward**	**4,000**
Stock (1st April, 2018)	**20,000**		

Closing Stock on 31st March, 2019 was valued at ₹ 14,500.

The solution can be presented as follows

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	(4,000)	1,60,000
Less: Return Outwards	(5,000)	1,00,000	Closing Stock		14,500
Wages		50,000	Gross Loss (*Balancing Figure*)		5,000
Manufacturing Expenses		8,000			
Carriage		1,500			
		1,79,500			**1,79,500**

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

Dr. Particulars	Amount (₹)	Particulars	Amount (₹) Cr.
Gross Loss	5,000		
Repairs	500		
Rent	4,000		
Trade Expenses	7,000	Net Loss (*Balancing Figure*)	18,500
Bad Debts	2,000		
	18,500		**18,500**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	1,00,000		**Fixed Assets**	
Less: Life Insurance Premium	(12,000)		Plant and Machinery	40,000
Less: Net Loss	(18,500)	69,500	**Current Assets**	
Current Liabilities			Closing Stock	14,500
Sundry Creditors		12,000	Sundry Debtors	24,000
Bills Payable		7,000	Bank	10,000
		88,500		**88,500**

Q.26 Trial Balance of Chatter Sen on 31st March, 2019 revealed the following balances:

Debit Balances:	**₹**	**Debit Balances (Contd.):**	**₹**
Plant and Machinery	**90,000**	**Rent**	**2,000**
Purchases	**58,000**	**Advertisement**	**2,000**
Sales Return	**1,000**	**Cash at Bank**	**6,900**
Opening Stock	**40,000**	**Credit Balances:**	
Discount Allowed	**350**	**Capital A/c**	**1,10,000**
Bank Charges	**75**	**Sales**	**1,27,000**
Sundry Debtors	**45,000**	**Purchases Return**	**1,275**
Salaries	**6,800**	**Discount Received**	**800**
Wages	**10,000**	**Loan**	**5,000**
Freight In	**750**	**Sundry Creditors**	**20,000**
Freight Out	**1,200**		

Stock on 31st March, 2019 was valued at ₹ 35,000.
Prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at the date.

The solution can be presented as follows

Financial Statement of Chatter Sen

Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
Opening Stock		40,000	Sales	1,27,000	
Purchases	58,000		*Less*: Sales Return	(1,000)	1,26,000
Less: Purchases Return	(1,275)	56,725	Closing Stock		35,000
Wages		10,000			
Freight Inwards		750			
Gross Profit (*Balancing Figure*)		53,525			
		1,61,000			**1,61,000**

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

Dr. Particulars	Amount (₹)	Particulars	Amount (₹) Cr.
Discount Allowed	350	Gross Profit	53,525
Bank Charges	75	Discount Received	800
Salaries	6,800		
Freight Outwards	1,200		
Rent, Rates and Taxes	2,000		
Advertisement	2,000		
Net Profit (Balancing Figure)	41,900		
	54,325		**54,325**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	1,10,000		**Fixed Assets**	
Add: Net Profit	41,900	1,51,900	Plant and Machinery	90,000
Liabilities			**Current Assets**	
Sundry Creditors		20,000	Closing Stock	35,000
Loan		5,000	Sundry Debtors	45,000
			Cash at Bank	6,900
		1,76,900		**1,76,900**

Q.27 Following Trial Balance is extracted from the books of a merchant on 31st March, 2019:

Debit Balances:	**₹**	**Debit Balances (Contd.):**	**₹**
Furniture and Fittings	**6,400**	**Insurance**	**12,500**
Motor Vehicles	**62,500**	**General Charges**	**7,820**
Building	**75,900**	**Salaries**	**33,000**
Bad Debts	**1,250**	**Credit Balances:**	
Sundry Debtors	**38,000**	**Capital**	**1,28,900**
Stock on 1st April, 2018	**34,600**	**Bills Payable**	**2,000**
Purchases	**55,750**	**Sundry Creditors**	**25,000**
Sales Return	**2,000**	**Sales**	**1,54,500**
Advertising	**4,500**	**Bank Overdraft**	**28,500**
Interest	**1,180**	**Purchases Return**	**1,250**
Cash in Hand	**6,500**	**Commission**	**1,750**

Stock in Hand on 31st March, 2019 was valued at ₹ 32,500.
From the above, prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date.

The solution can be presented as follows

Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
Opening Stock		34,600	Sales	1,54,500	
Purchases	55,750		Less: Sales Return	(2,000)	1,52,500
Less: Purchases Return	(1,250)	54,500	Closing Stock		32,500
Gross Profit (Balancing Figure)		95,900			
		1,85,000			**1,85,000**

Profit And Loss Account
for the year ended March 31, 2019

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Taxes and Insurance	12,500	Gross Profit	95,900
General Charges	7,820	Commission	1,750
Salaries	33,000		
Bad Debts	1,250		
Advertising	4,500		
Interest	1,180		
Net Profit (Balancing Figure)	37,400		
	97,650		**97,650**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	1,28,900		**Fixed Assets**	
Add: Net Profit	37,400	1,66,300	Building	75,900
Current Liabilities			Furniture and Fittings	6,400
Sundry Creditors		25,000	Motor Vehicles	62,500
Bank Overdraft		28,500	**Current Assets**	
Bills Payable		2,000	Closing Stock	32,500
			Sundry Debtors	38,000
			Cash in Hand	6,500
		2,21,800		**2,21,800**

Q.28 The following balances were extracted from the books of Harish Chandra on 31st March, 2019:

	₹		₹
Drawings	**15,000**	**Capital**	**2,45,000**
Life Insurance Premium	**5,000**	**Loan**	**78,800**
General Expenses	**25,000**	**Sales**	**6,53,600**
Building	**1,10,000**	**Purchases**	**4,70,000**
Machinery	**93,400**	**Motor Car**	**20,000**
Stock on 1st April, 2018	**1,62,000**	**Reserve Fund (Cr.)**	**9,000**
Power	**22,400**	**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**
Input CGST A/c	**15,000**	**Charity**	**1,050**
Input SGST A/c	**15,000**	**Bad Debts**	**5,500**
Output IGST A/c	**30,000**		

Stock on 31st March, 2019 was valued at ₹ 2,35,000.
Prepare final accounts for the year ended 31st March, 2019.

The solution can be presented as follows

Financial Statement of Harish Chandra
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	2,35,000
Power	22,400		
Wages	72,000		
Gross Profit (Balancing Figure)	1,62,200		
	8,88,600		**8,88,600**

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

Dr. Particulars	Amount (₹)	Particulars	Cr. Amount (₹)
General Expenses	25,000	Gross Profit	1,62,200
Taxes and Insurance	13,150	Commission	13,200
Bad Debts	5,500		
Car Expenses	18,000		
Charity	1,050		
Net Profit (Balancing Figure)	1,12,700		
	1,75,400		**1,75,400**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	2,45,000		**Fixed Assets**	
Add: Net Profit	1,12,700		Building	1,10,000
Less: Life Insurance Premium	(5,000)		Machinery	93,400
Less: Drawings	(15,000)	3,37,700	Motor Car	20,000
Reserve Fund		9,000	**Current Assets**	
Loan		78,800	Closing Stock	2,35,000
Current Liabilities			Debtors	62,800
Bank Overdraft		33,000	Cash	800
Bills Payable		38,500		
Creditors		25,000		
		5,22,000		**5,22,000**

Working Note:

(1) GST Set off Calculation

GST Payable = Output IGST-Input CGST-Input SGST

= 30,000-15,000-15,000

=Nil

GST Payable/Receivable = Nil

Hence, GST calculation will not have an impact on balance sheet.

Q.29 From the following Trial Balance and additional information of Mr. Gaurav, a proprietor, prepare Trading and Profit and Loss Account for the year ended 31st March, 2019 and Balance Sheet as at that date:

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Building	**1,60,000**	**…**
Wages	**26,000**	**…**
Machinery	**16,000**	**…**
Salaries and Wages	**41,600**	**…**
Debtors	**38,700**	**…**
Capital	**…**	**2,23,100**
Purchases	**56,500**	**…**
Sales	**…**	**1,00,700**
Creditors	**…**	**12,500**
Income Tax	**2,000**	**…**
Drawings	**500**	**…**
Input CGST A/c	**10,000**	**…**
Input SGST A/c	**10,000**	**…**
Output CGST A/c	**…**	**12,500**
Output SGST A/c	**…**	**12,500**
Total	**3,61,300**	**3,61,300**

Closing Stock at cost ₹ 1,00,000 but its market value is ₹ 88,500.

The solution can be presented as follows

Financial Statement of Mr. Gaurav
Trading Account
for the year ended March 31, 2019

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
Purchases	56,500	Sales	1,00,700
Wages	26,000	Closing Stock	88,500
Gross Profit (Balancing Figure)	1,06,700		
	1,89,200		**1,89,200**

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

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Salaries and Wages	41,600	Gross Profit	1,06,700
Net Profit (Balancing Figure)	65,100		
	1,06,700		**1,06,700**

Balance Sheet
as on March 31, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	2,23,100		**Fixed Assets**	
Add: Net Profit	65,100		Building	1,60,000
Less: Drawings	(500)		Machinery	16,000
Less: Income Tax	(2,000)	2,85,700	**Current Assets**	
Current Liabilities			Closing Stock	88,500
Creditors		12,500		
GST Payable		5,000	Debtors	38,700
		3,03,200		**3,03,200**

Working Notes:

(1) GST Calculation
Output CGST-Input CGST= 12,500-10,000

=2,500

Output SGST-Input SGST= 12,500-10,000

=2,500

GST Payable=Output CGST+ Output SGST

=2,500+2,500

=5,000

(2) As per the Principle of Conservatism, closing Stock is taken at cost or market price whichever is less. Therefore, closing Stock has been taken at its market Price and not on its cost.