



ACCOUNTS

NCERT - NCERT ACCOUNTS(HINGLISH)

FINANCIAL STATEMENTS - II

Illustration Type

1. From the following balances, prepare the trading and profit and loss account and balance sheet as on March 31, 2017.

Debit Balances	Amount ₹	Credit Balances	Amount ₹
Drawings	6,300	Capital	1,50,000
Cash at bank	13,870	Discount received	2,980
Bills receivable	1,860	Loans	15,000
Loan and Building	42,580	Purchases return	1,450
Furniture	5,130	Sales	2,81,500
Discount allowed	3,960	Reserve for bad debts	4,650
Bank charges	100	Creditors	18,670
Salaries	6,420		
Purchases	1,99,080		
Stock (opening)	60,220		
Sales return	1,870		
Carriage	5,170		
Rent and Taxes	7,680		
General expenses	3,630		
Plant and Machinery	31,640		
Book debts	82,740		
Bad debts	1,250		
Insurance	750		
	<u>4,74,250</u>		<u>4,74,250</u>

Adjustments

1. Closing stock Rs. 70,000
2. Create a reserve for bad and doubtful debts @ 10% on book debts
3. Insurance prepaid Rs. 50
4. Rent outstanding Rs. 150
5. Interest on loan is due @ 6% p.a.



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2. The following were the balances extracted from the books of Yogita as on March 31, 2017:

<i>Debit Balances</i>	<i>Amount ₹</i>	<i>Credit Balances</i>	<i>Amount ₹</i>
Cash in hand	540	Sales	98,730
Cash at bank	2,630	Return outwards	500
Purchases	40,675	Capital	62,000
Return inwards	680	Sundry creditors	6,300
Wages	8,480	Rent	9,000
Fuel and Power	4,730		
Carriage on sales	3200		
Carriage on purchases	2040		
Opening stock	5,760		
Building	32,000		
Freehold land	10,000		
Machinery	20,000		
Salaries	15,000		
Patents	7,500		
General expenses	3,000		
Insurance	600		
Drawings	5,245		
Sundry debtors	14,500		

Taking into account the following adjustments prepare trading and profit and loss account and balance sheet as on March 31, 2017 :

(a) Stock in hand on March 31, 2017, was Rs. 6,800.

(b) Machinery is to be depreciated at the rate

of 10% and patents @ 20%.

(c) Salaries for the month of March, 2017 amounting to Rs. 1,500 were outstanding.

(d) Insurance includes a premium of Rs. 170 on a policy expiring on September 30, 2017.

(e) Further bad debts are Rs. 725. Create a provision @ 5% on debtors.

(f) Rent receivable Rs. 1,000.



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3. The following balances were extracted from the books of Shri R. Lal on March 31, 2017:

Account Title	Amount ₹	Account Title	Amount ₹
Capital	1,00,000	Rent (Cr.)	2,100
Drawings	17,600	Railway freight on sales	16,940
Purchases	80,000	Carriage inwards	2,310
Sales	1,40,370	Office expenses	1,340
Purchases return	2,820	Printing and Stationery	660
Stock on April 01, 2016	11,460	Postage and Telegram	820
Bad debts	1,400	Sundry debtors	62,070
doubtful debts reserve April 01, 2016	3,240	Sundry creditors	18,920
Rates and Insurance	1,300	Cash in bank	12,400
Discount (Cr.)	190	Cash in hand	2,210
Bills receivable	1,240	Office furniture	3,500
Sales returns	4,240	Salaries and Commission	9,870
Wages	6,280	Addition to buildings	7,000
Buildings	25,000		

Prepare the trading and profit and loss account and a balance sheet as on March 31, 2017 after keeping in view the following adjustments :

(i) Depreciate old building by Rs. 625 and addition to building at 2% and office furniture

at 5%.

(ii) Write-off further bad debts Rs. 570.

(iii) Increase the bad debts reserve to 6% of debtors.

(iv) On March 31, 2017 Rs. 570 are outstanding for salary.

(v) Rent receivable Rs. 200 on March 31, 2017.

(vi) Interest on capital at 5% to be charged.

(vii) Unexpired insurance Rs. 240.

(viii) Stock was valued at Rs. 14,290 on March 31, 2017.



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4. Prepare the trading profit and loss account of M/s Mohit Traders as on 31 March 2017 and draw necessary Journal entries and balance sheet as on that date :

Debit Balances		Amount	Credit Balances		Amount
		₹			₹
Opening stock	24,000		Sales	4,00,000	
Purchases	1,60,000		Return outwards	2,000	
Cash in hand	16,000		Capital	1,50,000	
Cash at bank	32,000		Creditors	64,000	
Return inwards	4,000		Bills payable	20,000	
Wages	22,000		Commission received	4,000	
Fuel and Power	18,000				
Carriage inwards	6,000				
Insurance	8,000				
Buildings	1,00,000				
Plant	80,000				
Patents	30,000				
Salaries	28,000				
Furniture	12,000				
Drawings	18,000				
Rent	2,000				
Debtors	80,000				
	<u>6,40,000</u>				<u>6,40,000</u>

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Adjustments

	₹
(a) Salaries outstanding	12,000
(b) Wages outstanding	6,000
(c) Commission is accrued	2,400
(d) Depreciation on building 5% and plant 3%	
(e) Insurance paid in advance	700
(f) Closing stock	12,000

5. The following information has been extracted from the trial balance of M/s Randhir Transport Corporation.

<i>Debit balances</i>	<i>Amount ₹</i>	<i>Credit balances</i>	<i>Amount ₹</i>
Opening stock	40,000	Capital	2,70,000
Rent	2,000	Creditors	50,000
Plant and Machinery	1,20,000	Bills payable	50,000
Land and Buildings	2,55,000	Loan	1,10,000
Power	3,500	Discount	1,500
Purchases	75,000	Sales	1,50,000
Sales return	2,500	Provision for bad debts	1,000
Telegram and Postage	400	General reserves	50,000
Wages	4,500		
Salary	2,500		
Insurance	3,200		
Discount	1,000		
Repair and Renewals	2,000		
Legal charges	700		
Trade taxes	1,200		
Debtors	75,000		
Investment	65,000		
Bad debts	2,000		
Trade expenses	4,500		
Commission	1,250		
Travelling expenses	1,230		
Drawings	20,020		
	6,82,500		6,82,500

Adjustments

1. Closing stock for the year was Rs. 35,500.

2. Depreciation charged on plant and machinery 5% and land and building 6%.
3. Interest on drawing @ 6% and Interest on loan @ 5%.
4. Interest on investments @ 4%.
5. Further bad debts Rs. 2,500 and make provision for doubtful debts on debtors 5%.
6. Discount on debtors @ 2%.
7. Salary outstanding Rs, 200.
8. Wages outstanding Rs. 100.
9. Insurance prepaid Rs. 500.

You are required to make trading and profit

and loss account and a balance sheet on March 31, 2017.



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6. From the following balances of M/s Keshav Bros. You are required to prepare trading and profit and loss account and a balance sheet of March 31, 2017.

Debit balances	Amount ₹	Credit balances	Amount ₹
Plant and Machinery	1,30,000	Sales	3,00,000
Debtors	50,000	Return outwards	2,500
Interest	2,000	Creditors	2,50,000
Wages	1,200	Bills payable	70,000
Salary	2,500	Provision for bad debts	1,550
Carriage inwards	500	Capital	2,20,000
Carriage outwards	700	Rent received	10,380
Return inwards	2,000	Commission received	16,000
Factory rent	1,450		
Office rent	2,300		
Insurance	780		
Furniture	22,500		
Buildings	2,80,000		
Bills receivable	3,000		
Cash in hand	22,500		
Cash at bank	35,000		
Commission	500		
Opening stock	60,000		
Purchases	2,50,000		
Bad debts	3,500		
	<u>8,70,430</u>		<u>8,70,430</u>

Adjustment

- (i) Provision for bad debts @ 5% and further bad debts Rs. 2,000.
- (ii) Rent received in advance Rs. 6,000.
- (iii) Prepaid insurance Rs. 200.
- (iv) Depreciation on furniture @ 5%, plant and machinery @ 6%, building @ 7%.



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7. The following information have been taken from the trial balance of M/s Fair Brothers Ltd. You are required to prepare the trading and profit and loss account and a balance sheet as at March 31, 2017.

Debit Balances	Amount ₹	Credit balances	Amount ₹
Cash	20,000	Sales	3,61,000
Wages	45,050	Loan 12% (1.7.2016)	40,000
Return outwards	4,800	Discount received	1,060
Bad debts	4,620	Return (Purchase)	390
Salaries	16,000	Creditors	60,610
Octroi	1,000	Capital	75,000
Charity	250		
Machinery	32,000		
Debtors (including a dishonoured bill of ₹1,600)	60,000		
Stock	81,600		
Purchases	2,60,590		
Repairs	3,350		
Interest on loan	1,200		
Sales tax	1,600		
Insurance	2,000		
Rent	4,000		
	<u>5,38,060</u>		<u>5,38,060</u>

Adjustments

1. Wages include Rs. 4,000 for erection of new

machinery on April 01, 2016.

2. Provide 5% depreciation on furniture.

3. Salaries unpaid Rs. 1,600.

4. Closing stock Rs. 81,850.

5. Create a provision at 5% on debtors.

6. Half the amount of bill is recoverable.

7. Rent is paid up to July 30, 2017.

8. Insurance unexpired Rs. 600.



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8. From the following balance extracted from the books of M/s Hariharan Brother, you are required to prepare the trading and profit and loss account and a balance sheet as on December 31, 2017.

Debit balance	Amount ₹	Credit balance	Amount ₹
Opening stock	16,000	Capital	1,00,000
Purchases	40,000	Sales	1,60,000
Return inwards	3,000	Return outwards	800
Carriage inwards	2,400	Apprenticeship premium	3,000
Carriage outwards	5,000	Bills payable	5,000
Wages	6,600	Creditors	31,600
Salaries	11,000		
Rent	2,200		
Freight and Dock	4,800		
Fire Insurance premium	1,800		
Bad debts	4,200		
Discount	1,000		
Printing and Stationery	500		
Rates and Taxes	700		
Travelling expenses	300		
Trade expenses	400		
Business premises	1,10,000		
Furniture	5,000		
Bills receivable	7,000		
Debtors	40,000		
Machine	9,000		
Loan	10,000		
Investment	6,000		
Cash in hand	500		
Cash at bank	7,000		
Proprietor's withdrawal	6,000		
	<u>3,00,400</u>		<u>3,00,400</u>

Adjustments

1. Closing stock Rs. 14,000.

2. Wages outstanding Rs. 600, Salaries Outstanding Rs. 1,000, Rent outstanding Rs. 200.
3. Fire Insurance premium includes Rs. 1,200 paid in July 01, 2016 to run for one year from July 01, 2016 to June 30, 2017.
4. Apprenticeship Premium is for three years paid in advance on January 01, 2016.
5. Stationery bill for Rs. 60 remain unpaid.
6. Depreciation on Premises @ 5%, furniture @ 10%, Machinery @ 10%.
7. Interest on loan given accrued for one year @ 7%.

8. Interest on investment @ 5% for half year to December 31, 2016 has accrued.
9. Interest on capital to be allowed at 5% for one year.
10. Interest on drawings to be charged to him ascertained for the year Rs. 160.



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9. The following balances have been extracted from the trial balance of M/s Kolkata Ltd. You are required to prepare the trading and profit

and loss account on dated March 31, 2017.

Also prepare balance sheet on that date.

Also prepare balance sheet on that date.

Debit balances		Credit balances	
	Amount ₹		Amount ₹
Opening stock	6,000	Capital	20,000
Furniture	1,200	Sales	41,300
Drawings	2,800	Purchases return	4,000
Cash in hand	3,000	Bank overdraft	4,000
Purchases	24,000	Bad debts provision	400
Sales return	2,000	Creditors	5,000
Establishment expenses	4,400	Commission	100
Bad debts	1,000	Bills payable	5,000
Debtors	10,000	Apprenticeship premium	500
Carriage	1,000		
Bills receivable	6,000		
Bank deposits	8,000		
Wages	1,000		
Trade expenses	500		
Bank charges	400		
General expenses	1,000		
Salaries	2,000		
Insurance	1,500		
Postage and Telegram	500		
Rent, Rates and Taxes	2,000		
Coal, Gas, Water	2,000		
	<u>80,300</u>		<u>80,300</u>

Adjustments

1. Outstanding salaries Rs. 100. Rent and taxes

Rs. 200, Wages Rs. 100.

2. Unexpired insurance Rs. 500.

3. Commission is received in advances Rs. 50.

4. Interest Rs. 500 is to be received on bank

deposits. Itbr. 5. Interest on bank overdraft Rs. 750.

6. Depreciation on furniture @ 10%.

7. Closing stock Rs. 9,000.

8. Further bad debts Rs. 200 New provision @ 5% on debtors.

9. Apprenticeship premium received in advance Rs. 100.

10. Interest on drawings @ 6%.



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10. Prepare the trading and profit and loss account of M/s Roni Plastic Ltd. from the following trial balance and a balance sheet as at March 31, 2017.

trial balance and a balance sheet as at March 31, 2017.

Debit balances		Credit balances	
	Amount ₹		Amount ₹
Drawings	6,000	Creditors	16,802
Sundry debtors	38,200	Capital	60,000
Carriage outwards	2,808	Loan on mortgage	17,000
Establishment expenses	16,194	Bad debts provision	1,420
Interest on loan	400	Sales	2,22,486
Cash in hand	6,100	Purchases return	2,692
Stock	11,678	Discount	880
Motor car	18,000	Bills payable	5,428
Cash at bank	9,110	Rent received	500
Land and Buildings	24,000		
Bad debts	1,250		
Purchases	1,34,916		
Sales return	15,642		
Advertisement	4,528		
Carriage inward	7,858		
Rates, Taxes, insurance	7,782		
General expenses	8,978		
Bills receivable	13,764		
	<u>3,27,208</u>		<u>3,27,208</u>

Adjustments

1. Depreciation on land and building at @ 5% and Motor vehicle at @ 15%.
2. Interest on loan is @ 5% taken on April 01,

2016.

3. Goods costing Rs. 1,200 were sent to a customer on sale on return basis for Rs. 1,400 on March 30, 2017 and has been recorded in the books as actual sales.

4. Salaries amounting to Rs. 1,400 and Rates amounting to Rs. 800 are due.

5. The bad debts provision is to be brought up to @ 5% on sundry debtors.

6. Closing stock was Rs. 13,700.

7. Goods costing Rs. 1,000 were taken away by the proprietor for his personal use but not entry has been made in the books of account.

8. Insurance pre-paid Rs. 350.

9. Provide the manager's commission at @ 5% on Net profit after charging such commission.



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Short Answers

1. Why is it necessary to record the adjusting entries in the preparation of final accounts?



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2. What is meant by closing stock? Show its treatment in final accounts?



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3. State the meaning of:

(a) Outstanding expenses

(b) Prepaid expenses

(c) Income received in advance

(d) Accrued income



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4. Give the Performa of income statement and balance in vertical form.



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5. Why is it necessary to create a provision for doubtful debts at the time of preparation of final accounts?



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6. What adjusting entries would you record for the following :

- (a) Depreciation
- (b) Discount on debtors
- (c) Interest on capital
- (d) Manager's commission



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7. What is meant by provision for discount on debtors?





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8. Give the journal entries for the following adjustments :

(a) Outstanding salary Rs. 3,500.

(b) Rent unpaid for one month at Rs. 6,000 per annum.

(c) Insurance prepaid for a quarter at Rs. 16,000 per annum.

(d) Purchase of furniture costing Rs. 7,000 entered in the purchases book.



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Long Answer

1. What are adjusting entries? Why are they necessary for preparing final accounts?



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2. What is meant by provision for doubtful debts? How are the relevant accounts prepared and what journal entries are

recorded in final accounts? How is the amount for provision for doubtful debts calculated?



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3. Show the treatment of prepaid expenses depreciation, closing stock at the time of preparation of final accounts when:

- (a) When given inside the trial balance?
- (b) When given outside the trial balance?



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Numerical Questions

1. Prepare a trading and profit and loss account for the year ending March 31, 2017. from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet at the end of the year.

Account Title	Amount ₹	Account Title	Amount ₹
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for doubtful debts	2,500
Sales return	3,000	Capital	3,00,000
Sundry Debtors	82,000	Bills payable	22,000
Discount allowed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent Rates and Taxes	4,300	Loan	34,800
Fixtures and fittings	20,000		
Trade expenses	1,500		
Bad debts	2,000		
Drawings	32,000		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		
Bills receivable	50,000		
Building	1,10,000		
	5,51,800		5,51,800

Adjustments

1. Commission received in advance Rs. 1,000.
2. Rent receivable Rs. 2,000.
3. Salary outstanding Rs. 1,000 and insurance prepaid Rs. 800.
4. Further bad debts Rs. 1,000 and provision for doubtful debts @ 5% on debtors and discount on debtors @ 2%.
5. Closing stock Rs. 32,000.
6. Depreciation on building @ 6% p.a.



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2. Prepare a trading and profit and loss account of M/s Green Club Ltd. for the year ending March 31, 2017. from the following figures taken from his trial balance :

Account Title	Amount ₹	Account Title	Amount ₹
Opening stock	35,000	Sales	2,50,000
Purchases	1,25,000	Purchase return	6,000
Return inwards	25,000	Creditors	10,000
Postage and Telegram	600	Bills payable	20,000
Salary	12,300	Discount	1,000
Wages	3,000	Provision for bad debts	4,500
Rent and Rates	1,000	Interest received	5,400
Packing and Transport	500	Capital	75,000
General expense	400		
Insurance	4,000		
Debtors	50,000		
Cash in hand	20,000		
Cash at bank	40,000		
Machinery	20,000		
Lighting and Heating	5,000		
Discount	3,500		
Bad debts	3,500		
Investment	23,100		
	<u>3,71,900</u>		<u>3,71,900</u>

Adjustments

1. Depreciation charged on machinery @ 5% p.a.
2. Further bad debts Rs. 1,500, discount on

debtors @ 5% and make a provision on debtors @ 6%.

3. Wages prepaid Rs. 1,000.

4. Interest on investment @ 5% p.a.

5. Closing stock Rs. 10,000.



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3. The following balances has been extracted from the trial of M/s Runway Shine Ltd. Prepare a trading and profit and loss account and a balance sheet as on March 31, 2017.

Account Title	Amount ₹	Account Title	Amount ₹
Purchases	1,50,000	Sales	2,50,000
Opening stock	50,000	Return outwards	4,500
Return inwards	2,000	Interest received	3,500
Carriage inwards	4,500	Discount received	400
Cash in hand	77,800	Creditors	1,25,000
Cash at bank	60,800	Bill payable	6,040
Wages	2,400	Capital	1,00,000
Printing and Stationery	4,500		
Discount	400		
Bad debts	1,500		
Insurance	2,500		
Investment	32,000		
Debtors	53,000		
Bills receivable	20,000		
Postage and Telegraph	400		
Commission	200		
Interest	1,000		
Repair	440		
Lighting Charges	500		
Telephone charges	100		
Carriage outward	400		
Motor car	25,000		
	<u>4,89,440</u>		<u>4,89,440</u>

Adjustments

1. Further bad debts Rs. 1,000. Discount on debtors Rs. 500 and make a provision on debtors @ 5%.
2. Interest received on investment @ 5%.
3. Wages and interest outstanding Rs. 100 and Rs. 200 respectively.

4. Depreciation charged on motor car @ 5%

p.a.

5. Closing Stock Rs. 32,500.



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4. From the following Trial Balance you are required to prepare trading and profit and loss account for the year ending March 31, 2017 and Balance

Particulars	Amount ₹	Particulars	Amount ₹
Opening stock	25,000	Sales	7,00,000
Furniture	16,000	Creditors	72,500
Purchases	5,55,300	Bank Overdraft	50,000
Carriage Inwards	4,700	Provision for bad and doubtful debts	2,100
Bad debts	1,800	Discount	500
Wages	52,000	Capital	2,00,000
Debtors	80,000	Purchases Return	20,000
Sales Return	15,000		
Rent	24,000		
Miscellaneous Expenses	3,400		
Salaries	68,000		
Cash	8,900		
Drawings	14,000		
Buildings	1,60,000		
Advertising	10,000		
Interest on Bank Overdraft	7,000		
	10,45,100		10,45,100

Adjustments

1. Closing stock valued at Rs. 36,000.
2. Private purchases amounting to Rs. 5000 debited to purchases account.
3. Provision for doubtful debts @ 5% on debtors.
4. Sign board costing Rs. 4,000 includes in

advertising.

5. Depreciate furniture by 10%.



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5. From the following information prepare trading and profit and loss account of M/s Indian sports house for the year ending March 31, 2017.

Account Title	Amount ₹	Account Title	Amount ₹
Drawings	20,000	Capital	2,00,000
Sundry debtors	80,000	Return outwards	2,000
Bad debts	1,000	Bank overdraft	12,000
Trade Expenses	2,400	Provision for bad debts	4,000
Printing and Stationery	2,000	Sundry creditors	60,000
Rent Rates and Taxes	5,000	Bills payable	15,400
Freight	4,000	Sales	2,76,000
Return inwards	7,000		
Opening stock	25,000		
Purchases	1,80,000		
Furniture and Fixture	20,000		
Plant and Machinery	1,00,000		
Bills receivable	14,000		
Wages	10,000		
Cash in hand	6,000		
Discount allowed	2,000		
Investments	40,000		
Motor car	51,000		
	5,69,400		5,69,400

Adjustments

1. Closing stock was Rs. 45,000.
2. Provision for doubtful debts is to be maintained @ 2% on debtors.
3. Depreciation charged on : furniture and fixture @ 5%, plant and Machinery @ 6% and motor car @ 10%.
4. A Machine of Rs. 30,000 was purchased on

October 01, 2016.

5. The manager is entitled to a commission of @ 10% of the net profit after charging such commission.



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6. Prepare the trading and profit and loss account and a balance sheet of M/s Shine Ltd. from the following particulars.

Account Title	Amount ₹	Account Title	Amount ₹
Sundry debtors	1,00,000	Bills payable	85,550
Bad debts	3,000	Sundry creditors	25,000
Trade expenses	2,500	Provision for bad debts	1,500
Printing and Stationary	5,000	Return outwards	4,500
Rent, Rates and Taxes	3,450	Capital	2,50,000
Freight	2,250	Discount received	3,500
Sales return	6,000	Interest received	11,260
Motor car	25,000	Sales	1,00,000
Opening stock	75,550		
Furniture and Fixture	15,500		
Purchases	75,000		
Drawings	13,560		
Investments	65,500		
Cash in hand	36,000		
Cash in bank	53,000		
	<u>4,81,310</u>		<u>4,81,310</u>

Adjustments

1. Closing stock was valued Rs. 35,000.
2. Depreciation charged on furniture and fixture @ 5%.
3. Further bad debts Rs. 1,000. Make a provision for bad debts @ 5% on sundry debtors.
4. Depreciation charged on motor car @ 10%.

5. Interest on drawing @ 6%.

6. Rent, rates and taxes was outstanding
Rs.200.

7. Discount on debtors 2%.



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7. Following balances have been extracted from the trial balance of M/s Keshav Electronics Ltd. You are required to prepare the trading and profit and loss account and a balance sheet as on March 31, 2017.

Account Title	Amount ₹	Account Title	Amount ₹
Opening stock	2,26,000	Sales	6,80,000
Purchases	4,40,000	Return outwards	15,000
Drawings	75,000	Creditors	50,000
Buildings	1,00,000	Bills payable	63,700
Motor van	30,000	Interest received	20,000
Freight inwards	3,400	Capital	3,50,000
Sales return	10,000		
Trade expense	3,300		
Heat and Power	8,000		
Salary and Wages	5,000		
Legal expense	3,000		
Postage and Telegram	1,000		
Bad debts	6,500		
Cash in hand	79,000		
Cash at bank	98,000		
Sundry debtors	25,000		
Investments	40,000		
Insurance	3,500		
Machinery	22,000		
	<u>11,78,700</u>		<u>11,78,700</u>

The following additional information is available :

1. Stock on March 31, 2017 was Rs. 30,000.
2. Depreciation is to be charged on building at 5% and motor van at 10%.
3. Provision for doubtful debts is to be maintained at 5% on Sundry Debtors.
4. Unexpired insurance was Rs. 600.

5. The Manager is entitled to a commission @ 5% on net profit after charging such commission.



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8. From the following balances extracted from the books of Raga Ltd. prepare a trading and profit and loss account for the year ended March 31, 2017 and a balance sheet as on that date.

Account Title	Amount ₹	Account Title	Amount ₹
Drawings	20,000	Sales	2,20,000
Land and Buildings	12,000	Capital	1,01,110
Plant and Machinery	40,000	Discount	1,260
Carriage inwards	100	Apprentice premium	5,230
Wages	500	Bills payable	1,28,870
Salary	2,000	Purchases return	10,000
Sales return	200		
Bank charges	200		
Coal, Gas and Water	1,200		
purchases	1,50,000		
Trade Expenses	3,800		
Stock (Opening)	76,800		
Cash at bank	50,000		
Rates and Taxes	870		
Bills receivable	24,500		
Sundry debtors	54,300		
Cash in hand	30,000		
	4,66,470		4,66,470

The additional information is as under :

1. Closing stock was valued at the end of the year Rs. 20,000.
2. Depreciation on plant and machinery charged at 5% and land and building at 10%.
3. Discount on debtors at 3%.
4. Make a provision at 5% on debtors for doubtful debts.

5. Salary outstanding was Rs. 100 and Wages prepaid was Rs. 40. 6. The manager is entitled a commission of 5% on net profit after charging such commission.



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9. From the following balances of M/s Jyoti Exports, prepare trading and profit and loss account for the year ended March 31, 2017 and balance sheet as on this date.

Account Title	Debit Amount ₹	Account Title	Credit Amount ₹
Sundry debtors	9,600	Sundry creditors	2,500
Opening stock	22,800	Sales	72,670
Purchases	34,800	Purchases returns	2,430
Carriage inwards	450	Bills payable	15,600
Wages	1,770	Capital	42,000
Office rent	820		
Insurance	1,440		
Factory rent	390		
Cleaning charges	940		
Salary	1,590		
Building	24,000		
Plant and Machinery	3,600		
Cash in hand	2,160		
Gas and Water	240		
Octroi	60		
Furniture	20,540		
Patents	10,000		
	1,35,200		1,35,200

Closing stock Rs. 10,000.

1. To provision for doubtful debts is to be maintained at 5 per cent on sundry debtors.
2. Wages amounting to Rs. 500 and salary amounting to Rs. 350 are outstanding.
3. Factory rent prepaid Rs. 100.
4. Depreciation charged on Plant and

Machinery @ 5% and Building @ 10%.

5. Outstanding insurance Rs.100.



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10. The following balances have been extracted from the books of M/s Green House for the year ended March 31, 2017, prepare trading and profit and loss account and balance sheet as on this date.

Account Title	Amount ₹	Account Title	Amount ₹
Purchases	80,000	Capital	2,10,000
Bank balance	11,000	Bills payable	6,500
Wages	34,000	Sales	2,00,000
Debtors	70,300	Creditors	50,000
Cash in hand	1,200	Return outwards	4,000
Legal expenses	4,000		
Building	60,000		
Machinery	120,000		
Bills receivable	7,000		
Office expenses	3,000		
Opening stock	45,000		
Gas and fuel	2,700		
Freight and Carriage	3,500		
Factory lighting	5,000		
Office furniture	5,000		
Patent right	18,800		
	<u>4,70,500</u>		<u>4,70,500</u>

Adjustments :

- (a) Machinery is depreciated at 10% and buildings depreciated at 6%.
- (b) Interest on capital @ 4%.
- (c) Outstanding wages Rs. 50.
- (d) Closing stock Rs. 50,000.



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11. From the following balances extracted from the book of M/s Manju Chawla on March 31, 2017. You are requested to prepare the trading and profit and loss account and a balance sheet as on this date.

Account Title	Amount ₹	Amount ₹
Opening stock	10,000	
Purchases and Sales	40,000	80,000
Returns	200	600
Wages	6,000	
Dock and cleaning charges	4,000	
Lighting	500	
Misc. Income		6,000
Rent		2,000
Capital		40,000
Drawings	2,000	
Debtors and Creditors	6,000	7,000
Cash	3,000	
Investment	6,000	
Patent	4,000	
Land and Machinery	43,000	
Donations and Charity	600	
Sales tax collected		1,000
Furniture	11,300	
	1,36,600	1,36,600

Closing stock was Rs. 2,000.

(a) Interest on drawings @ 7% and interest on

capital @ 5%. (b) Land and Machinery is depreciated at 5%.

(c) Interest on investment @ 6%.

(d) Unexpired rent Rs. 100.

(e) Charge 5% depreciation on furniture.



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12. The following balances were extracted from the books of M/s Panchsheel Garments on March 31, 2017.

Account Title	Debit Amount ₹	Account Title	Credit Amount ₹
Opening stock	16,000	Sales	1,12,000
Purchases	67,600	Return outwards	3,200
Return Inwards	4,600	Discount	1,400
Carriage inwards	1,400	Bank overdraft	10,000
General expenses	2,400	Commission	1,800
Insurance	4,000	Creditors	16,000
Scooter expenses	200	Capital	50,000
Salary	8,800		
Cash in hand	4,000		
Scooter	8,000		
Furniture	5,200		
Buildings	65,000		
Debtors	6,000		
Wages	1,200		
	<u>1,94,400</u>		<u>1,94,400</u>

Prepare the trading and profit and loss account for the year ended March 31, 2017 and a balance sheet as on that date.

- (a) Unexpired insurance Rs. 1,000.
- (b) Salary due but not paid Rs. 1800.
- (c) Wages outstanding Rs. 200.
- (d) Interest on capital 5%.
- (e) Scooter is depreciated @ 5%.

(f) Furniture is depreciated @ 10%.

(g) Closing stock was Rs. 15,000.



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13. Prepare the trading and profit and loss account and balance sheet of M/s Control Device India on March 31, 2017 from the following balance as on that date.

Account Title	Debit Amount ₹	Credit Amount ₹
Drawings and Capital	19,530	67,500
Purchase and Sales	45,000	1,12,500
Salary and Commission	25,470	1,575
Carriage	2,700	
Plant and Machinery	27,000	
Furniture	6,750	
Opening stock	42,300	
Insurance premium	2,700	
Interest		7,425
Bank overdraft		24,600
Rent and Taxes	2,160	
Wages	11,215	
Returns	2,385	1,440
Carriage outwards	1,485	
Debtors and Creditors	36,000	58,500
General expenses	6,975	
Octroi	530	
Investment	41,400	
	<u>2,73,600</u>	<u>2,73,600</u>

Closing stock was valued Rs. 20,000.

(a) Interest on capital @ 10%.

(b) Interest on drawings @ 5%.

(c) Wages outstanding Rs. 50.

(d) Outstanding salary Rs. 20.

(e) Provide a depreciation @ 5% on plant and machinery.

(f) Make a 5% provision on debtors.



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14. The following balances appeared in the trial balance of M/s Kapil Traders as on March 31, 2017

	₹
Sundry debtors	30,500
Bad debts	500
Provision for doubtful debts	2,000

The partners of the firm agreed to records the following adjustments in the books of the Firm: Further bad debts Rs.300. Maintain provision for bad debts 10%. Show the following adjustments in the bad debts

account, provision account, debtors account, profit and loss account and balance sheet.



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15. Prepare the bad debts account, provision for account, profit and loss account and balance sheet from the following information as on March 31, 2017

	₹
Debtors	80,000
Bad debts	2,000
Provision for doubtful debts	5,000

Adjustments :

Bad debts Rs. 500 Provision on debtors @ 3%.



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Test Your Understanding

1. Rahul's trial balance provide you the following information :

Debtors	₹ 80,000
Bad debts	₹ 2,000
Provision for doubtful debts	₹ 4,000

It is desired to maintain a provision for bad

debts of Rs. 1,000 State the amount to be debited/credited in profit and loss account :

- A. Rs. 5,00 (Debit)
- B. Rs. 3,000 (Debit)
- C. Rs. 1,000 (Credit)
- D. none of these

Answer: A::C::D



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2. If the rent of one month is still to be paid the adjustment entry will be :

1) Debit outstanding rent account and Credit rent account

2) Debit profit and loss account and Credit rent account

3) Debit rent account and Credit profit and loss account

4) Debit rent account and Credit outstanding rent account

A. Debit outstanding rent account and
Credit rent account

B. Debit profit and loss account and Credit
rent account

C. Debit rent account and Credit profit and
loss account

D. Debit rent account and Credit
outstanding rent account

Answer: D



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3. If the rent received in advance Rs. 2,000. The adjustment entry will be :

1) Debit profit and loss account and Credit rent account

2) Debit rent account Credit rent received in advance account

3) Debit rent received in advance account and Credit rent account

4) None of these.

A. Debit profit and loss account and Credit rent account

B. Debit rent account Credit rent received in advance account

C. Debit rent received in advance account and Credit rent account

D. None of these.

Answer: B



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4. If the opening capital is Rs. 50,000 as on April 01, 2016 and additional capital introduced Rs. 10,000 on January 01, 2017. Interest charge on capital 10% p.a. The amount of interest on capital shown in profit and loss account as on March 31, 2017 will be :

- 1) Rs. 5,250
- 2) Rs. 6,000
- 3) Rs. 4,000
- 4) Rs. 3,000

A. Rs. 5,250

B. Rs. 6,000

C. Rs. 4,000

D. Rs. 3,000

Answer: A



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5. If the insurance premium paid Rs. 1,000 and pre-paid insurance Rs. 300. The amount of insurance premium shown in profit and loss account will be :

1) Rs. 1,300

2) Rs. 1,000

3) Rs. 300

4) Rs. 700

A. Rs. 1,300

B. Rs. 1,000

C. Rs. 300

D. Rs. 700

Answer: D



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