

Chapter 23 Accounts from Incomplete Records

Question 1

Atul does not keep proper records of his business. He gives you the following information:

	(₹)
Opening Capital	2,00,000
Closing Capital	2,50,000
Drawings made during the year	60,000
Capital added during the year	75,000

Calculate profit or loss for the year.

Solution:

Profit or Loss	
Particulars	₹
End of the year capital	2,50,000
<i>Add:</i> Drawings for a year	60,000
<i>Less:</i> Extra capital submitted during the year	75,000
Capital adjusted at the year-end	2,35,000
<i>Less:</i> Capital at the year start	2,00,000
Profit for the year	35,000

Question 2

Mr. Joshi started a business with a capital of ₹ 5,00,000. At the end of the year his position was:

	(₹)
Cash in hand	15,000
Cash at bank	70,000
Sundry Debtors	1,20,000
Stock	2,40,000
Furniture	75,000
Machinery	2,00,000

Sundry creditors at this date totalled ₹ 80,000. During the year he introduced a further capital of ₹ 1,50,000 and withdrew for household expenses ₹ 90,000.

You are required to calculate profit or loss during the year.

Solution:

Statement of Affairs			
Liabilities	₹	Assets	₹
Sundry Creditors	80,000	Cash in Hand	15,000
Capital (<i>Balancing Figure</i>)	6,40,000	Cash at Bank	70,000
		Sundry Debtors	1,20,000
		Stock	2,40,000
		Furniture	75,000

		Machinery	2,00,000
	7,20,000		7,20,000

Profit or Loss		
Particulars		₹
End of the year capital		6,40,000
	Add: Drawings for the year	90,000
	Less: Extra capital submitted during the year	1,50,000
Capital adjusted at the year-end		5,80,000
	Less: Capital at the year start	5,00,000
Profit for the year		80,000

Question 3

Mr. Vasudev does not keep proper records of his business. He provided the following information. You are required to prepare a statement showing the profit or loss for the year.

	(₹)
Owner's Equity at the beginning of the year	15,00,000
Bills Receivable	60,000
Cash in hand	80,000

Furniture	9,00,000
Building	10,00,000
Creditors	6,00,000
Stock in trade	2,00,000
Further capital introduced	3,20,000
Drawings made during the period	80,000

Solution:

Statement of Affairs			
Liabilities	₹	Assets	₹
Creditors	6,00,000	Cash in Hand	80,000
Capital (<i>Balancing Figure</i>)	16,40,000	Furniture	9,00,000
		Stock in trade	2,00,000
		Building	10,00,000
		Bills Receivable	60,000
	22,40,000		22,40,000

Profit or Loss	
Particulars	₹

End of the year capital	16,40,000
Add: Drawings for the year	80,000
Less: Extra capital submitted during the year	3,20,000
Capital adjusted at the year-end	14,00,000
Less: Capital at the year start	15,00,000
Loss for the year	1,00,000

Question 4

Tulsi started business on 1st April 2016 with a capital of ₹ 4,50,000. On 31st March 2017 her position was as under:

	(₹)
Cash	99,000
Bills Receivable	75,000
Stock	48,000
Land and Building	1,80,000
Furniture	50,000

She owed ₹ 45,000 to her friend Parvati on that date. She withdrew ₹ 8,000 per month for household purposes. Ascertain her profit or loss for the year ended 31st March 2017.

Solution:

Statement of Affairs

Liabilities	₹	Assets	₹
Loan from Friend	45,000	Cash	99,000
Capital (<i>Balancing Figure</i>)	4,07,000	Bills Receivable	75,000
		Stock	48,000
		Land and Building	1,80,000
		Furniture	50,000
	4,52,000		4,52,000

Profit or Loss	
Particulars	₹
End of the year capital	4,07,000
Add: Drawings for the year (8,000 × 12)	96,000
Less: Extra capital submitted during the year	–
Capital adjusted at the year-end	5,03,000
Less: Capital at the year start	4,50,000
Profit for the year	53,000

Question 5 (A)

From the following information, calculate capital at the beginning :

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	₹
Capital at the end of the year	24,00,000
Drawing Made during the year: ₹ 10,000 per month	
Fresh Capital introduced during the year	4,00,000
Profit of the current year	6,60,000

Solution:

Profit or Loss	
Particulars	₹
End of the year capital	24,00,000
Add: Drawings for the year (10,000 × 12)	1,20,000
Less: Extra capital submitted during the year	4,00,000
Capital adjusted at the year-end	21,20,000
Less: Capital at the year start (<i>Balancing Figure</i>)	14,60,000
Profit for the year	6,60,000

Question 5 (B)

Calculate Closing Capital:

Opening Capital ₹ 90,000; Profit for the year ₹ 25,000; Drawings ₹ 17,000. During the year proprietor sold ornaments of his wife for ₹ 40,000 and invested the same in business.

Solution:

Closing Capital + Drawings – Additional Capital – Opening Capital = Profits

Closing Capital = Opening Capital + Additional Capital + Profits – Drawings

Closing Capital = 90,000 + 40,000 + 25,000 – 17,000

Closing Capital = Rs 1,38,000

Question 6

Suchitra started business on 1st April, 2013 with a Capital of ₹ 50,00,000. On 31st March, 2014 her total Assets were ₹ 60,00,000 and Creditors were 3,00,000. She withdrew during the year for her personal expenses ₹ 10,000 per month up to 30th June, 2013 and thereafter ₹ 15,000 per month up to 31st March, 2014. During the year she sold her personal investments of ₹ 80,000 at 5% loss and introduced that amount in the business.

You are required to prepare a Statement of Profit or Loss for the year ending 31st March 2014.

Solution:

Profit or Loss	
Particulars	₹
End of the year capital (60,00,000 – 3,00,000)	57,00,000
Add: Drawings for the year (10,000 × 3 + 15,000 × 9)	1,65,000
Less: Extra capital submitted during the year (WN)	76,000
Capital adjusted at the year-end	57,89,000
Less: Capital at the year start	50,00,000
Profit for the year	7,89,000

Working Note: Evaluating additional capital submitted for the year

Investments value = ₹ 80,000

Loss = 80,000 × 5% = ₹ 4,000

Sale Value of Investments (Additional Capital) = ₹ 76,000

Question 7

Following incomplete information is available from records maintained by Mr. X:

	1-4-2016	31-3-2017
	₹	₹
Cash	1,000	1,500
Bank	8,000	10,000
Debtors	10,000	12,000
Stock	7,000	6,000
Machinery	20,000	20,000
Creditors	11,000	10,000
Bank Loan	12,000	12,000

During the year Mr. X introduced in the business the amount realised on the sale of ₹ 10,000 investments at the premium of 5%. Personal expenses of Mr. X paid from business account amounted to ₹ 1,250 per month. Prepare a statement to calculate Profit (or Loss) during the year.

Solution:

Statement of Affairs as on April 01, 2016			
Liabilities	₹	Assets	₹
Creditors	11,000	Cash	1,000
Bank Loan	12,000	Bank	8,000
Capital (<i>Balancing Figure</i>)	23,000	Debtors	10,000

		Stock	7,000
		Machinery	20,000
	46,000		46,000

Statement of Affairs as on 31st March, 2017

Liabilities	₹	Assets	₹
Creditors	10,000	Cash	1,500
Bank Loan	12,000	Bank	10,000
Capital (<i>Balancing Figure</i>)	27,500	Debtors	12,000
		Stock	6,000
		Machinery	20,000
	49,500		49,500

Profit or Loss for the year ended 31st March, 2017

Particulars	₹
End of the year capital	27,500
Add: Drawings for the year(1,250 × 12)	15,000
Less: Extra capital submitted during the year (WN)	10,500

Capital adjusted at the year-end	32,000
Less: Capital at the year starting	23,000
Profit for the year	9,000

Working Note: Evaluating additional capital submitted for the year

Value of Investments = 10,000

Premium = 500 (10,000 × 5%)

Sale Value of Investments (Additional Capital) = ₹ 10,500

Question 8

Raghuveer keeps incomplete records. His position was as follows:

	31st March, 2016 ₹	31st March, 2017 ₹
Cash in Hand	2,000	3,000
Cash at Bank	30,000	20,000
Stock-in-Trade	2,00,000	1,90,000
Sundry Debtors	85,000	1,40,000
Plant & Machinery	1,50,000	2,70,000
Fixtures and Fittings	18,000	15,000
Sundry Creditors	2,20,000	2,90,000

During the year, Raghuveer introduced ₹ 50,000 as further capital in the business and withdrew ₹ 7,500 per month. From the above information, show Profit or Loss for the year ended 31st March, 2017.

Solution:

Statement of Affairs as on 31st March, 2016			
Liabilities	₹	Assets	₹
Sundry Creditors	2,20,000	Cash in Hand	2,000
Capital (<i>Balancing Figure</i>)	2,65,000	Cash at Bank	30,000
		Stock-in-Trade	2,00,000
		Sundry Debtors	85,000
		Plant & Machinery	1,50,000
		Fixtures & Fittings	18,000
	4,85,000		4,85,000

Statement of Affairs as on 31st March, 2017			
Liabilities	₹	Assets	₹
Sundry Creditors	2,90,000	Cash in Hand	3,000
Capital (<i>Balancing Figure</i>)	3,48,000	Cash at Bank	20,000
		Stock-in-Trade	1,90,000
		Sundry Debtors	1,40,000
		Plant & Machinery	2,70,000
		Fixtures & Fittings	15,000

	6,38,000		6,38,000

Profit or Loss	
Particulars	₹
End of the year capital	3,48,000
Add: Drawings for the year (7,500 × 12)	90,000
Less: Extra capital submitted during the year	50,000
Capital adjusted at the year-end	3,88,000
Less: Capital at the year starting	2,65,000
Profit for the year	1,23,000

Question 9

On 1st April 2014, Mr, Ghosh started business with a capital of ₹ 5,00,000. He kept his books on single entry basis. Soon after he purchased furniture for ₹ 40,000 and purchased goods for ₹ 3,00,000. During the year he borrowed ₹ 1,00,000 from his brother and introduced further capital of his own amounting to ₹ 80,000.

On 31st March, 2015, there were sundry debtors amounting to ₹ 2,20,000 and creditors amounted to ₹ 1,40,000. Stock was valued at ₹ 4,50,000. Cash in hand ₹ 15,400 and Bank Overdraft ₹ 40,000

During the year Mr. Ghosh withdrew ₹ 2,000 per week for his family expenses. You are informed that included in sundry debtors is an irrecoverable amount of ₹ 5,000. He also took goods from the business for his personal use amounting to ₹ 4,000.

You are required to calculate his profit or loss during the year.

Solution:

Statement of Affairs			
Liabilities	₹	Assets	₹

Loan from Brother	1,00,000	Cash in Hand	15,400
Creditors	1,40,000	Furniture	40,000
Bank Overdraft	40,000	Sundry Debtors	2,20,000
Capital (<i>Balancing Figure</i>)	4,40,400	Less: Bad Debts	5,000
			2,15,000
		Stock	4,50,000
	7,20,400		7,20,400

Profit or Loss	
Particulars	₹
End of the year capital	4,40,400
Add: Drawings for the year $(2,000 \times 52) + (4,000)$	1,08,000
Less: Extra capital submitted during the year	80,000
Capital adjusted at the year-end	4,68,400
Less: Capital adjusted at the year-end	5,00,000
Loss for the year	31,600

Question 10

The Capital of Sh. Madhusudan on 1st April, 2016 was ₹ 5,00,000 and on 31st March, 2017 was ₹ 4,80,000. He has informed you that he withdrew from the business ₹ 8,000 per month for his private use. He paid ₹ 20,000 for his income-tax and the installment of the loan of his personal house at the rate of ₹ 15,000 per month from

the business. He had also sold his shares of Reliance Company costing ₹ 1,00,000 at a profit of 20% and invested half of this amount in the business. Calculate the profit or loss of the business.

Solution:

Profit or Loss	
Particulars	₹
End of the year capital	4,80,000
Add: Drawings for the year(WN1)	2,96,000
Less: Extra capital submitted during the year (WN2)	60,000
Capital adjusted at the year-end	7,16,000
Less: Capital at the year starting	5,00,000
Profit for the year	2,16,000

Working Note 1: Drawing Evaluation

Withdrawn Cash = ₹ 96,000 (8,000 × 12)

Income Tax Paymen = ₹ 20,000

Personal Loan Instalment = ₹ 1,80,000 (15,000 × 12) = ₹ 2,96,000

Working Notes 2: Additional Capital Evaluation

Value of Shares = ₹ 1,00,000

Add: Profit = ₹ 20,000

Sale Value = ₹ 1,20,000

Additional Capital (1,20,0002) = ₹ 60,000

Question 11

Charu do not keep proper books of accounts. Prepare the statement of profit or loss for the year ending 31-3-2017 from the following information:

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	1-4-2016	31-3-2017
	₹	₹
Cash in hand	10,000	36,000
Debtors	20,000	80,000
Creditors	10,000	46,000
Bills Receivable	20,000	24,000
Bills Payable	4,000	42,000
Car	–	80,000
Stock	40,000	30,000
Furniture	8,000	48,000
Investment	40,000	50,000
Bank balance	1,00,000	90,000

The following adjustments are to be made:

- (a) Proprietor withdrew cash ₹ 5,000 per month for private use.
- (b) Depreciation @ 5% on Car and @ 10% on furniture.
- (c) Outstanding Rent ₹ 6,000.
- (d) Fresh Capital introduced during the year ₹ 30,000.

Solution:

Statement of Affairs as on 31st March, 2016			
Liabilities	₹	Assets	₹

Creditors	10,000	Cash in Hand	10,000
Bills Payable	4,000	Cash at Bank	1,00,000
Capital (<i>Balancing Figure</i>)	2,24,000	Stock	40,000
		Debtors	20,000
		Bills Receivable	20,000
		Furniture	8,000
		Investment	40,000
	2,38,000		2,38,000

Statement of Affairs as on 31st March, 2017

Liabilities	₹	Assets	₹
Creditors	46,000	Cash in Hand	36,000
Bills Payable	42,000	Cash at Bank	90,000
Capital (<i>Balancing Figure</i>)	3,50,000	Stock	30,000
		Debtors	80,000
		Bills Receivable	24,000
		Furniture	48,000
		Investment	50,000

		Car	80,000
	4,38,000		4,38,000

Profit or Loss		
Particulars		₹
End of the year capital		3,50,000
	Add: Drawings for the year(5,000 12)	60,000
	Less: Extra capital submitted during the year	30,000
Capital adjusted at the year-end		3,80,000
	Less: Capital at the year starting	2,24,000
Profit Before Adjustment		1,56,000
	Less: Car Depreciation	4,000
	Less: Furniture Depreciation	4,800
	Less: Rent Outstanding Rent	6,000
Profit for the year		1,41,200

Final Statement of Affairs as on 31st March, 2017			
Liabilities	₹	Assets	₹

Opening Capital	2,24,000		Cash in Hand	36,000
Add: Net Profit	1,41,200		Cash at Bank	90,000
Add: Fresh Capital	30,000		Stock	30,000
Less: Drawings	60,000	3,35,200	Debtors	80,000
Creditors		46,000	Bills Receivable	24,000
Bills Payable		42,000	Investment	50,000
Outstanding Rent		6,000	Furniture	48,000
			Less: Depreciation	4,800
			Car	80,000
			Less: Depreciation	4,000
		4,29,200		4,29,200

Question 12

Ashok keeps incomplete records. The position of his business on 1st April, 2016 was as follows:

Cash in Hand ₹ 2,200; Cash at Bank ₹ 5,400; Stock ₹ 25,100; Sundry Debtors ₹ 18,700; Furniture ₹ 6,000; Sundry Creditors ₹ 13,500.

His position on 31st March, 2017 was as follows:

Cash in Hand ₹ 1,500; Cash at Bank ₹ 8,400; B/R ₹ 3,300; Stock ₹ 26,000; Sundry Debtors ₹ 24,600; Furniture ₹ 8,000; Sundry Creditors ₹ 14,200.

During the year he had withdrawn from the business ₹ 18,000, of which ₹ 9,200 were spent in purchasing a Typewriter for the business.

(a) Depreciate furniture and typewriter by 10%.

(b) Write off ₹ 600 as Bad-Debts.

(c) Make a provision of 5% on Debtors for doubtful debts.

Calculate the profit or loss of his business for the year ended 31st March, 2017 and prepare a final statement of affairs, after the above adjustments.

Solution:

Statement of Affairs as on 31st March, 2016			
Liabilities	₹	Assets	₹
Sundry Creditors	13,500	Cash in Hand	2,200
Capital (<i>Balancing Figure</i>)	43,900	Cash at Bank	5,400
		Stock	25,100
		Sundry Debtors	18,700
		Furniture	6,000
	57,400		57,400

Statement of Affairs as on 31st March, as on 31st March, 2017			
Liabilities	₹	Assets	₹
Sundry Creditors	14,200	Cash in Hand	1,500
Capital (<i>Balancing Figure</i>)	66,800	Cash at Bank	8,400
		Stock	26,000
		Sundry Debtors	24,600
		Bills Receivable	3,300

		Furniture	8,000
		Typewriter	9,200
	81,000		81,000

Profit or Loss as of 31st March, 2017		
Particulars		₹
End of the year capital		66,800
	Add: Drawings for the year(18,000 – 9,200)	8,800
	Less: Extra capital submitted during the year	
Capital adjusted at the year-end		75,600
	Less: Capital at the year starting	43,900
Profit Before Adjustment		31,700
	Less: Furniture Depreciation	800
	Less: Typewriter Depreciation	920
	Less: Bad Debts	600
	Less: Provision for Doubtful Debts	1,200
Profit for the year		28,180

Final Statement of Affairs as on 31st March, 2017					
Liabilities		₹	Assets		₹
Creditors		14,200	Cash in Hand		1,500
Opening Capital	43,900		Cash at Bank		8,400
Add: Net Profit	28,180		Stock		26,000
Less: Drawings	8,800	63,280	Bills Receivable		3,300
			Sundry Debtors	24,600	
			Less: Bad Debts	600	
			Less: Provision for Bad Debts	1,200	22,800
			Furniture	8,000	
			Less: Depreciation	800	7,200
			Typewriter	9,200	
			Less: Depreciation	920	8,280
		77,480			77,480

Question 13

From the details given below find out the Credit Sales and Total Sales :

	₹
Opening Debtors	60,000

Closing Debtors	75,000
Discount allowed	4,400
Sales Return	12,000
Bad-Debts	5,600
Provision for Bad-Debts	3,800
B/R received from Debtors	16,000
B/R dishonoured	4,000
B/R discounted	10,000
Discounted bills dishonoured	3,000
Cash Sales	1,05,000
Cash received from Debtors (including ₹ 6,000 against a debt previously written off)	3,08,000
Cheques received from Debtors	

Solution:

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	60,000	Cash A/c	3,02,000

Bill Receivable A/c	4,000	Sales Return A/c	12,000
Bank A/c	3,000	Bad-Debts A/c	5,600
Sales A/c (<i>Credit</i>)	3,80,000	Bill Receivable A/c	16,000
		Discount Allowed	4,400
		Bank A/c	32,000
		Balance c/d	75,000
	4,47,000		4,47,000

Total Sales = Credit Sales + Cash Sales

Total Sales = 3,80,000 + 1,05,000 = ₹ 4,85,000

Question 14

Find out the Credit Purchases from the details given below:

	₹
Balance of Creditors on 1st April 2006	32,000
Balance of Creditors on 31st March, 2007	46,000
Cash paid to Creditors	2,20,000
Cheques issued to Creditors	60,000
Purchases Returns	10,000
Discount received from Creditors	6,600
Cash Purchases	1,15,000

B/P accepted	16,000
B/P Dishonoured	2,000
B/R endorsed to Creditors	7,000
Endorsed B/R dishonoured	3,000

Solution:

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	2,20,000	Balance b/d	32,000
Discount Received A/c	6,600	Bills Payable A/c	2,000
Bills Payable A/c	16,000	Bills Receivable A/c	3,000
Purchases Return A/c	10,000	Purchases A/c (<i>Credit</i>)	3,28,600
Bills Receivable A/c	7,000		
Bank A/c	60,000		
Balance c/d	46,000		
	3,65,600		3,56,600

Question 15

Anand Mohan has kept incomplete books. From the following particulars, prepare his Final Accounts for the year ending 31st March, 2012 :

Receipts:- Received from Debtors ₹ 37,000; Fresh Capital brought in cash ₹ 20,000; Commission received ₹ 2,800; Cash Sales ₹ 95,000.

Payments:- Paid to Creditors ₹ 35,000; Cash Purchases ₹ 26,500; Ornaments for his wife ₹ 22,000; Wages ₹ 18,800; Rent ₹ 8,400; Salary ₹ 12,000.

His Other Assets and Liabilities:-

	31st March, 2011 (₹)	31st March, 2012 (₹)
Debtors	15,600	18,000
Creditors	15,400	13,000
Machinery	36,000	36,000
Stock	28,000	21,200
Cash	5,000	–

Adjustments :-

(1) Unpaid wages ₹1,500.

(2) Provide for Doubtful Debts at 5% on Debtors.

Solution:

Trading Account as on 31st March, 2012			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	28,000	Sales (Cash + Credit)	1,34,400
Purchases (Cash + Credit)	59,100	Closing Stock	21,200
Wages	18,800		

Add: Outstanding	1,500	20,300		
Gross Profit		48,200		
		1,55,600		1,55,600

Balance Sheet as on 31st March, 2012				
Dr.				Cr.
Liabilities		₹	Assets	₹
Capital	69,200		Cash in Hand	37,100
Add: Additional Capital	20,000		Closing Stock	21,200
Less: Drawings	22,000		Debtors	18,000
Add: Net Profit	29,700	96,900	Less: Bad Debts	900
				17,100
Creditors		13,000	Machinery	36,000
Unpaid Wages		1,500		
		1,11,400		1,11,400

Working Notes:

Balance Sheet at the end of 31st March, 2011			
Dr.			Cr.
Liabilities	₹	Assets	₹

Creditors	15,400	Debtors	15,600
Capital (<i>Balancing figure</i>)	69,200	Machinery	36,000
		Stock	28,000
		Cash	5,000
	84,600		84,600

Profit & Loss Account as on 31st March, 2012			
Dr.			Cr.
Particulars	₹	Particulars	₹
Salary	12,000	Gross Profit	48,200
Rent	8,400	Commission	2,800
Bad Debts	900		
Net Profit	29,700		
	51,000		51,000
		Balance c/d	37,100
	1,59,800		1,59,800

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	15,600	Cash A/c	37,000
Sales A/c	39,400	Balance c/d	18,000
	55,000		55,000

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	35,000	Balance b/d	15,400
Balance c/d	13,000	Purchases A/c	32,600
	48,000		48,000

Question 16

Mukesh Khanna has not kept proper books. However, he gives you the following information relating to the year 2011-12:

	(₹)		(₹)
To Balance b/d	8,100	By Payment to Creditors	56,200

To Received from Debtors	75,000	By Carriage	1,270
To Cash Sales	52,000	By Salaries	24,000
To Sales of Old Newspapers	420	By Rent	16,000
To Loan from Mrs. Khanna @ 15%p.a. on 1st July, 2011	8,000	By Purchases of Cycle for his son	1,500
		By Furniture Purchased	12,000
		By Balance c/d	32,550
	1,43,520		1,43,520

The following balances existed on 1st April, 2011 – Debtors ₹ 24,200; Furniture ₹ 18,000; Stock ₹ 30,000; Creditors ₹ 18,000.

The following balances existed on 31st March, 2012 – Debtors ₹ 20,800; Furniture ₹ 30,000; Stock ₹ 35,950; Creditors ₹ 34,600.

Adjustments:-

(1) Depreciate Furniture by 10%.

(2) Provide upto-date interest on Mrs. Khanna's Loan.

Prepare trading and Profit and Loss A/c for the year ending 31st March, 2012 and a Balance Sheet as at that date.

Solution:

Trading Account as on 31st March, 2012			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	30,000	Sales (Cash + Credit)	1,23,600

Purchases (Credit)	72,800	Closing Stock	35,950
Carriage	1,270		
Gross Profit	55,480		
	1,59,550		1,59,550

Profit & Loss Account as on 31st March, 2012

Dr.			Cr.
Particulars	₹	Particulars	₹
Salary	24,000	Gross Profit	55,480
Rent	16,000	Sale of Old Newspapers	420
Depreciation on Furniture	3,000		
Outstanding Interest on Loan (for 9 months)	900		
Net Profit	12,000		
	55,900		55,900

Balance Sheet as on 31st March, 2012

Dr.			Cr.
Liabilities	₹	Assets	₹

Capital	62,300		Cash in Hand	32,550
Less: Drawings	1,500		Closing Stock	35,950
Add: Net Profit	12,000	72,800	Furniture	18,000
Creditors		34,600	Add: Additions	12,000
Unpaid Interest on Loan		900	Less: Depreciation	3,000
Loan from Mrs Khanna		8,000	Debtors	20,800
		1,16,300		1,16,300

Working Notes:

Balance Sheet as on 31st March, 2011			
Dr.			Cr.
Liabilities	₹	Assets	₹
Creditors	18,000	Debtors	24,200
Capital (<i>Balancing figure</i>)	62,300	Furniture	18,000
		Stock	30,000
		Cash	8,100
	80,300		80,300

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	24,200	Cash A/c	75,000
Sales A/c	71,600	Balance c/d	20,800
	95,800		95,800

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	56,200	Balance b/d	18,000
Balance c/d	34,600	Purchases A/c	72,800
	90,800		90,800

Question 17

Mr. Asif Ali, a retail trader, who keeps Incomplete Records gives you the following information for the year 2011-12:

	(₹)		(₹)

Received from Debtors	38,000	Bank Overdraft on 1-4-2011	2,500
Cash Sales	26,500	Paid to Creditors	31,200
Miscellaneous Income	300	Carriage inwards	800
		Salaries	12,400
		Advertisement	700
		Cash Purchases	16,000
		Balance at Bank on 31-3-2012	1,200
	64,800		64,800

The Assets and Liabilities were as follows:

	31st March 2011 ₹	31st March 2012 ₹
Stock	15,000	12,000
Fixed Assets	25,000	25,000
Sundry Debtors	12,000	?
	8,600	?

Other Informations:

- (1) Credit Sales during the year were ₹ 35,100.
- (2) Sales returns ₹ 800.
- (3) Credit Purchases during the year were ₹ 30,000.

(4) Discount allowed to Debtors ₹ 300.

(5) Discount received from Creditors ₹ 130.

Adjustments:-

(1) Make a provision for doubtful debts @ 5% on Debtors.

(2) Also make a provision for discount @ 2% on Debtors.

Prepare his Trading, P & L A/c and a Balance Sheet as at 31st March, 2012.

Solution:

Trading Account for the year ended 31st March, 2012			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	15,000	Sales (Cash + Credit – Returns)	60,800
Purchases (Credit)	46,000	Closing Stock	12,000
Carriage	800		
Gross Profit	11,000		
	72,800		72,800

Profit & Loss Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Salary	12,400	Gross Profit	11,000
Advertisement	700	Miscellaneous Income	300

Provision for Doubtful Debts	400	Discount Received	130
Provision for Discount on Debtors	152	Net Loss	2,522
Discount Allowed	300		
	13,952		13,952

Balance Sheet as on 31st March, 2012				
Dr.				Cr.
Liabilities		Amount (₹)	Assets	Amount (₹)
Capital	40,900		Cash at Bank	1,200
Less: Net Loss	2,522	38,378	Debtors	8,000
Creditors		7,270	Less: Provision for DD	400
			Less: Provision for Discount	152
				7,448
			Fixed Assets	25,000
			Closing Stock	12,000
		45,648		45,648

Working Notes:

Balance Sheet as on 31st March, 2011

Dr.			Cr.
Liabilities	₹	Assets	₹
Creditors	8,600	Debtors	12,000
Bank Overdraft	2,500	Fixed Assets	25,000
Capital (<i>Balancing figure</i>)	40,900	Stock	15,000
	52,000		52,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	12,000	Cash A/c	38,000
Sales A/c	35,100	Sales Return A/c	800
		Discount Allowed A/c	300
		Balance c/d	8,000
	47,100		47,100

Creditors Account

Dr.			Cr.
Particulars	₹	Particulars	₹
Discount Received A/c	130	Balance b/d	8,600
Cash A/c	31,200	Purchases A/c	30,000
Balance c/d	7,270		
	38,600		38,600

Question 18

Lalit Mohan keeps incomplete records. From the following information provided by him, prepare a Trading and Profit & Loss Account for the year ended 31st March, 2015 and a Balance Sheet as at that date:

	31st March, 2014	31st March, 2015
	₹	₹
Sundry Debtors	15,000	24,400
Stock	32,000	55,000
Cash	8,400	21,700
Sundry Creditors	22,000	?
Prepaid Expenses	Nil	3,600
Unpaid Expenses	1,500	2,200

Furniture	20,000	32,000
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Summary of cash transactions during the year:

	₹
Receipts from Debtors	2,00,000
Payment to Creditors	1,64,000
Carriage Inwards	3,300
Payment for Life Insurance Premium	15,000
Sundry Expenses	40,000
Furniture purchased for cash	12,000

You are informed that there was a considerable amount of cash sales during the year. Credit purchases during the year amounted to ₹ 1,80,000. Provide 5% for doubtful debts on debtors.

Solution:

Trading Account as on 31st March, 2015			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	32,000	Sales (Cash + Credit)	2,57,000
Purchases (Credit)	1,80,000	Closing Stock	55,000
Carriage	3,300		
Gross Profit	96,700		

	3,12,000		3,12,000

Profit & Loss Account as on 31st March, 2015

Dr.			Cr.
Particulars	₹	Particulars	₹
Sundry Expenses	40,000	Gross Profit	96,700
Provision for Doubtful Debts	1,220	Prepaid Expenses	3,600
Unpaid Expenses (2,200 – 1,500)	700		
Net Profit	58,380		
	1,00,300		1,00,300

Balance Sheet as on 31st March, 2015

Dr.			Cr.
Liabilities	₹	Assets	₹
Capital	51,900	Cash in Hand	21,700
Less: Drawings	15,000	Debtors	24,400
Add: Net Profit	58,380	Less: Provision for DD	1,220
	95,280		23,180
Creditors	38,000	Prepaid Expenses	3,600

Unpaid Expenses	2,200	Closing Stock	55,000
		Furniture	32,000
	1,35,480		1,35,480

Working Notes:

Balance Sheet as on 31st March, 2014			
Dr.			Cr.
Liabilities	₹	Assets	₹
Creditors	22,000	Debtors	15,000
Expenses Unpaid	1,500	Stock	32,000
Capital (<i>Balancing figure</i>)	51,900	Cash	8,400
		Furniture	20,000
	75,400		75,400

Cash Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	8,400	Creditors A/c	1,64,000

Debtors A/c	2,00,000	Carriage A/c	3,300
Sales A/c (<i>Balancing Figure</i>)	47,600	Drawings A/c (Life Insurance Premium)	15,000
		Sundry Expenses A/c	40,000
		Furniture A/c	12,000
		Balance c/d	21,700
	2,56,000		2,56,000

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	1,64,000	Balance b/d	22,000
Balance c/d	38,000	Purchases A/c	1,80,000
	2,02,000		2,02,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹

Balance b/d	15,000	Cash A/c	2,00,000
Sales A/c	2,09,400	Balance c/d	24,400
	2,24,400		2,24,400

Question 19

Vardhman commenced business on 1st April, 2008, with a capital of ₹ 50,000. He immediately purchased furniture for ₹ 20,000. During the year he received from his uncle a gift of ₹ 3,000 and he borrowed from his father a sum of ₹ 5,000. He had withdrawn ₹ 600 per month for his household expenses. He had no Bank account and all dealings were in cash. He did not maintain any books but following information is given :

	₹
Sales (including cash sales ₹ 30,000)	1,00,000
Purchases (including cash purchases ₹ 10,000)	75,000
Carriage inwards	700
Wages	300
Discount allowed to debtors	800
Salaries	6,200
Bad-Debts written off	1,500
Trade expenses	1,200
Advertisements	2,200

He used goods worth ₹ 1,300 for personal purposes and paid ₹ 500 to his son for examination and college fees.

On 31st March, 2009, his Debtors were worth ₹ 21,000 and Creditors ₹ 15,000. Stock in trade was valued at ₹ 10,000. Furniture to be depreciated by 10% p.a.

Prepare trading and Profit and Loss Account for the year ended on 31st March, 2009, and Balance Sheet as at 31st March, 2009.

Solution:

Trading Account for the year ended 31st March, 2009			
Dr.			Cr.
Particulars	₹	Particulars	₹
Purchases (Cash + Credit – Drawings)	73,700	Sales (Cash + Credit)	1,00,000
Carriage Inwards	700	Closing Stock	10,000
Wages	300		
Gross Profit	35,300		
	1,10,000		1,10,000

Profit & Loss Account for the year ended 31st March, 2009			
Dr.			Cr.
Particulars	₹	Particulars	₹
Discount Allowed	800	Gross Profit	35,300
Salaries	6,200		
Bad Debts	1,500		

Trade Expenses	1,200		
Advertisement	2,200		
Depreciation on Furniture	2,000		
Net Profit	21,400		
	35,300		35,300

Balance Sheet as on 31st March, 2009				
Dr.				Cr.
Liabilities		₹	Assets	₹
Capital	50,000		Cash in Hand	36,400
Gift from Uncle	3,000		Debtors	21,000
Less: Drawings (12 × 600 + 1,300 + 500)	9,000		Closing Stock	10,000
Add: Net Profit	21,400	65,400	Furniture (<i>Less Depreciation</i>)	18,000
Creditors		15,000		
Loan from Father		5,000		
		85,400		85,400

Working Notes:

Cash Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Capital A/c	50,000	Furniture A/c	20,000
Gift from Uncle	3,000	Drawings A/c (12×600+500)	7,700
Loan from Father A/c	5,000	Purchases A/c	10,000
Sales A/c	30,000	Carriage Inwards A/c	700
Debtors A/c	46,700	Wages A/c	300
		Salaries A/c	6,200
		Trade Expenses A/c	1,200
		Advertisement A/c	2,200
		Creditors A/c	50,000
		Balance c/d	36,400
	1,34,700		1,34,700

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹

Cash A/c	50,000	Purchases A/c	65,000
Balance c/d	15,000		
	65,000		65,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Sales A/c	70,000	Discount Allowed A/c	800
		Bad Debts A/c	1,500
		Cash A/c	46,700
		Balance c/d	21,000
	2,24,400		2,24,400

Question 20

Calculate the value of Closing Stock from the following particulars:

	₹		₹
Purchases	93,000	Wages	20,000
Sales	1,20,000	Carriage Outwards	3,200

Opening Stock	16,000	Rate of Gross Profit on Cost	25%

Solution:

Gross Profit Rate (on cost) = 25%

Gross Profit Rate (on sales) = 20%

Gross Profit = 20% of 1,20,000 = ₹ 24,000

Gross Profit = Net Sales – Cost of Goods Sold

₹ 24,000 = ₹ 1,20,000 – Cost of Goods Sold

Cost of Goods Sold = ₹ 1,20,000 – ₹ 24,000 = ₹ 96,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹ 96,000 = ₹ 16,000 + ₹ 93,000 + ₹ 20,000 – Closing Stock

Closing Stock = ₹16,000 + ₹ 93,000 + ₹ 20,000 – ₹ 96,000 = ₹ 33,000

Question 21

Calculate the value of Opening Stock from the following:

	₹
Sales	2,05,000
Sales Returns	5,000
Purchases	1,24,000
Purchases Returns	4,000
Carriage Inwards	8,000
Closing Stock	36,000
Rate of Gross Profit on Sales	40%

Solution:

Rate of Gross Profit (on sales) = 40%

Gross Profit = 40% of (2,05,000 – 5,000) = ₹ 80,000

Gross Profit = Net Sales – Cost of Goods Sold

₹ 80,000 = ₹ 2,00,000 – Cost of Goods Sold

Cost of Goods Sold = ₹2,00,000 – ₹ 80,000 = ₹ 1,20,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹1,20,000 = Opening Stock + (₹1,24,000 – ₹4,000) + ₹8,000 – ₹36,000

Opening Stock = ₹1,20,000 – ₹1,20,000 – ₹8,000 + ₹36,000 = ₹28,000

Question 22

Chakravarti does not maintain proper books of accounts. Following information is obtained from his books for the year ended 31st March, 2008:

Cash Transactions:

	₹		₹
Received from Debtors	72,000	Staff Salary	4,500
Paid to Creditors	56,000	Wages	15,000
Drawings	5,000	Office Expenses	2,000
Received from Cash Sales	30,000	Rent	3,500
Life Insurance Premium	800	Cash in hand on 31-3-2008	16,700

Assets and Liabilities:

	1-4-2007 ₹	31-3-2008 ₹
Debtors	24,000	56,000
Creditors	30,000	40,000

Outstanding Salaries	500	450
Outstanding Wages	1,000	1,200

The Stock on 31st March, 2008 was valued at ₹ 20,000 but Chakravarti has no record of the Stock on 1st April, 2007. However, he informs you that he sells his goods at cost plus 25%.

Prepare his Cash Book, Trading and P & L A/c for the year ended 31st March, 2008 and a Balance Sheet as at that date.

Solution:

Trading Account as on 31st March, 2008			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	46,000	Sales (Cash + Credit)	1,34,000
Purchases (Credit)	66,000	Closing Stock	20,000
Wages	15,000		
Outstanding Wages	200		
Gross Profit	26,800		
	1,54,000		1,54,000

Profit & Loss Account as on 31st March, 2008			
Dr.			Cr.
Particulars	₹	Particulars	₹

Staff Salaries	4,500	Gross Profit	26,800
Office Expenses	2,000	Outstanding Salary	50
Rent	3,500		
Net Profit	16,850		
	26,850		26,850

Balance Sheet as on 31st March, 2008				
Dr.				Cr.
Liabilities		₹	Assets	₹
Capital	40,000		Cash in Hand	16,700
Less: Drawings	5,800		Debtors	56,000
Add: Net Profit	16,850	51,050	Closing Stock	20,000
Creditors		40,000		
Outstanding Salary		450		
Outstanding Wages		1,200		
		92,700		92,700

Working Notes:

Balance Sheet as on 31st March, 2007

Dr.			Cr.
Liabilities	₹	Assets	₹
Creditors	30,000	Debtors	24,000
Outstanding Salaries	500	Stock	46,000
Outstanding Wages	1,000	Cash	1,500
Capital (<i>Balancing figure</i>)	40,000		
	71,500		71,500

Cash Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d (<i>Balancing Figure</i>)	1,500	Creditors A/c	56,000
Debtors A/c	72,000	Drawings A/c	5,000
Sales A/c	30,000	Drawings A/c (Life Insurance Premium)	800
		Staff Salary	4,500
		Wages	15,000
		Office Expenses	2,000

		Rent	3,500
		Balance c/d	16,700
	1,03,500		1,03,500

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	56,000	Balance b/d	30,000
Balance c/d	40,000	Purchases A/c	66,000
	96,000		96,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	24,000	Cash A/c	72,000
Sales A/c	1,04,000	Balance c/d	56,000
	1,28,000		1,28,000

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Rate of Gross Profit (on cost) = 25%

Rate of Gross Profit (on sales) = 20%

Gross Profit = 20% of (30,000 + 1,04,000) = ₹ 26,800

Gross Profit = Net Sales – Cost of Goods Sold

₹ 26,800 = ₹1,34,000 – Cost of Goods Sold

Cost of Goods Sold = ₹1,34,000 – ₹26,800 = ₹ 1,07,200

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹1,07,200 = Opening Stock + ₹66,000 + (₹15,000 + ₹200) – ₹20,000

Opening Stock = ₹1,07,200 – ₹66,000 – ₹15,200 + ₹20,000 = ₹ 46,000

Question 23

Mr. Gopal Das has only a Bank Pass Book and does not keep any other books of accounts. From the following information prepare his Final Accounts for the year ended 31st March, 2015.

An analysis of the Pass Book shows:-

Total amount received from Debtors and deposited with the Bank ₹ 2,20,000;
Payment to Creditors ₹ 1,82,000; Salaries ₹ 6,000; Rent paid ₹ 4,800; Advertisement ₹ 2,000; Printing ₹ 800; Personal Expenses ₹ 4,000; Payment for Furniture ₹ 12,000;
Balance at Bank on 31st March, 2015, ₹ 21,000.

Other Assets and Liabilities were as follows:

	1-4-2014	31-3-2015
	₹	₹
Sundry Debtors	30,000	42,000
Sundry Creditors	20,000	15,000
Stock	34,000	?
Salary Outstanding	400	500

Mr. Gopal Das takes 20% profit on sales.

Solution:

Trading Account as on March 31, 2015			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	34,000	Sales (Credit)	2,32,000
Purchases (Credit)	1,77,000	Closing Stock	25,400
Gross Profit	46,400		
	2,57,400		2,57,400

Profit & Loss Account as on March 31, 2015			
Dr.			Cr.
Particulars	₹	Particulars	₹
Salaries	6,000	Gross Profit	46,400
Outstanding Salary	100		
Rent	4,800		
Advertisement	2,000		
Printing	800		
Net Profit	32,700		
	46,400		46,400

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Balance Sheet as on March 31, 2015				
Dr.				Cr.
Liabilities		₹	Assets	₹
Capital	56,200		Debtors	42,000
Less: Drawings	4,000		Stock	25,400
Add: Net Profit	32,700	84,900	Bank	21,000
Creditors		15,000	Furniture	12,000
Outstanding Salary		500		
		1,00,400		1,00,400

Working Notes:

Balance Sheet as on March 31, 2014			
Dr.			Cr.
Liabilities		₹	Assets
Creditors		20,000	Debtors
Outstanding Salaries		400	Stock
Capital (Balancing figure)		56,200	Bank

	76,600		76,600

Bank Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d (<i>Balancing Figure</i>)	12,600	Creditors A/c	1,82,000
Debtors A/c	2,20,000	Salary A/c	6,000
		Rent A/c	4,800
		Advertisement A/c	2,000
		Printing A/c	800
		Drawings A/c	4,000
		Furniture A/c	12,000
		Balance c/d	21,000
	2,32,600		2,32,600

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹

Balance b/d	30,000	Bank A/c	2,20,000
Sales A/c	2,32,000	Balance c/d	42,000
	2,62,000		2,62,000

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Bank A/c	1,82,000	Balance b/d	20,000
Balance c/d	15,000	Purchases A/c	1,77,000
	1,97,000		1,97,000

Rate of Gross Profit (on sales) = 20%

Gross Profit = 20% of 2,32,000 = ₹46,400

Gross Profit = Net Sales – Cost of Goods Sold

₹46,400 = ₹2,32,000 – Cost of Goods Sold

Cost of Goods Sold = ₹ 2,32,000 – ₹46,400 = ₹ 1,85,600

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹1,85,600 = ₹34,000 + ₹1,77,000 – Closing Stock

Closing Stock = ₹34,000 + ₹1,77,000 – ₹1,85,600 = ₹ 25,400

Question 24

Ravi, who keeps his books on Single Entry System, had his capital on 31st March, 2016 ₹ 20,000 and on 1st April, 2015 was ₹ 16,700. He further informs that during

the year, he withdrew for his personal expenses ₹ 9,400. He also sold his personal investment of ₹ 10,000 at 15% premium and brought that money into the business.

Prepare a statement of Profit or Loss.

Solution:

Statement of Profit/Loss	
Particulars	₹
Closing Capital	20,000
<i>Less:</i> Opening Capital	(16,700)
<i>Less:</i> Additional Capital	(11,500)
<i>Add:</i> Drawings	9,400
Profit for the Year	1,200

Question 25

Mohan commenced business on 1st April, 2012 with a capital of ₹ 50,000. On 1st January, 2013, he introduced ₹ 25,000 into business of which ₹ 10,000 was borrowed from Ram. His position on 31st March, 2013 was as under:

Assets: Cash in hand ₹ 4,000; Bank (Cr.) ₹ 6,500; Debtors ₹ 24,000; B/R ₹ 18,600.

Stock ₹ 25,400; Furniture ₹ 15,000; Prepaid expenses ₹ 1,000.

Liabilities : Creditors ₹ 13,500; B/P ₹ 4,800; Ram's Loan ₹ 10,000; Outstanding expenses ₹ 700.

Actual drawings were not known but his living expenses are ₹ 1,000 p.m. Depreciate furniture by 10%. Interest on loan is due @ 12% p.a.

Ascertain his profit or loss for the year 2012-13 & prepare final statement of affairs.

Solution:

Statement of Affairs as on March 31, 2013			
Liabilities	₹	Assets	₹

Bank Overdraft	6,500	Bills Receivable	18,600
Creditors	13,500	Cash in Hand	4,000
Bills Payable	4,800	Stock	25,400
Ram's Loan	10,000	Debtors	24,000
Outstanding Expenses	700	Furniture	15,000
Capital (<i>Balancing Figure</i>)	52,500	Prepaid Expenses	1,000
	88,000		88,000

Profit or Loss as on March 31, 2013	
Particulars	₹
End of the year capital	52,500
Add: Drawings for the year	12,000
Less: Extra capital submitted during the year (25,000 – 10,000)	15,000
Capital adjusted at the year-end	49,500
Less: Capital at the year starting	50,000
Loss Before Adjustment	(500)
Less: Furniture Depreciation	1,500

Less: Loan Interest Outstanding	300
Loss for the year	(2,300)

Final Statement of Affairs as on March 31, 2013					
Liabilities		₹	Assets		₹
Creditors		13,500	Cash in Hand		4,000
Opening Capital	50,000		Debtors		24,000
Add: Additional Capital	15,000		Bills Receivable		18,600
Less: Net Loss	2,300		Stock		25,400
Less: Drawings	12,000	50,700	Furniture	15,000	
Loan from Ram		10,000	Less: Depreciation	1,500	13,500
Bank Overdraft		6,500	Prepaid Expenses		1,000
Bills Payable		4,800			
Outstanding Expenses		700			
Outstanding Interest on Loan		300			
		86,500			86,500

Question 26

On April 1st, 2016, X started a business with ₹ 40,000 as his capital. On March 31st, 2017, his position was as follows:

	(₹)
Creditors	30,000
Bills Payable	10,000
Bank	10,000
Debtors	50,000
Stock	40,000
Plant	68,000
Furniture	12,000

During the year 2016-17 X drew ₹ 24,000. On 1st October 2016, he introduced further capital amounting to ₹ 30,000. You are required to ascertain profit or loss made by him during the year 2016-17.

Adjustments:

- (a) Plant is to be depreciated at 10%.
- (b) A Provision of 5% is to be made against debtors.

Also prepare the Statement of Affairs as on March 31st 2017.

Solution:

Statement of Affairs as on March 31, 2017			
Liabilities	₹	Assets	₹
Bills Payable	10,000	Bank	10,000
Creditors	30,000	Plant	68,000
Capital (<i>Balancing Figure</i>)	1,40,000	Stock	40,000

		Debtors	50,000
		Furniture	12,000
	1,80,000		1,80,000

Profit or Loss as on March 31, 2017

Particulars		₹
End of the year capital		1,40,000
	Add: Drawings for the year	24,000
	Less: Extra capital submitted during the year	30,000
Capital adjusted at the year-end		1,34,000
	Less: Capital at the year starting	40,000
Profit Before Adjustment		94,000
	Less: Plant Depreciation	6,800
	Less: Doubtful Debts Provision	2,500
Profit for the year		84,700

Final Statement of Affairs as on March 31, 2017

Liabilities	₹	Assets	₹

Creditors		30,000	Bank		10,000
Opening Capital	40,000		Furniture		12,000
Add: Additional Capital	30,000		Stock		40,000
Add: Net Profit	84,700		Debtors	50,000	
Less: Drawings	24,000	1,30,700	Less: Provision for Bad Debts	2,500	47,500
Bills Payable		10,000	Plant	68,000	
			Less: Depreciation	6,800	61,200
		1,70,700			1,70,700

Question 27

From the following information relating to the business of Mr. X who keeps books by single entry ascertain the profit or loss for the year ended 31st March, 2017:

	1-4-2016	31-3-2017
	₹	₹
Machinery	16,000	16,000
Furniture	4,000	4,000
Stock	14,000	10,000
Sundry Debtors	8,000	9,000
Bank Balance	400	3,600

Sundry Creditors	10,000	7,000
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Mr. X withdrew ₹ 4,100 during the year to meet his household expenses. He introduced ₹ 600 as fresh capital. Machinery and furniture to be depreciated by 10% and 5% per annum respectively.

Solution:

Statement of Affairs as on April 01, 2016			
Liabilities	₹	Assets	₹
Creditors	10,000	Cash at Bank	400
Capital (<i>Balancing Figure</i>)	32,400	Machinery	16,000
		Stock	14,000
		Debtors	8,000
		Furniture	4,000
	42,400		42,400

Statement of Affairs as on March 31, 2017			
Liabilities	₹	Assets	₹
Creditors	7,000	Cash at Bank	3,600
Capital (<i>Balancing Figure</i>)	35,600	Machinery	16,000
		Stock	10,000
		Debtors	9,000

		Furniture	4,000
	42,600		42,600

Profit or Loss as on March 31, 2017		
Particulars		₹
End of the year capital		35,600
	Add: Drawings for the year	4,100
	Less: Extra capital submitted during the year	600
Capital adjusted at the year-end		39,100
	Less: Capital at the year starting	32,400
Profit Before Adjustment		6,700
	Less: Machinery Depreciation	1,600
	Less: FurnitureDepreciation	200
Profit for the year		4,900

Question 28

Mr. A does not keep proper records of his business. Following information is available from records kept by him:

	1-4-2016	31-3-2017
	₹	₹

Cash	20,000	18,000
Bank	30,000	33,000
Debtors	17,000	25,000
Stock	40,000	60,000
Fixed Assets	29,000	29,000
Creditors	52,000	32,000
Loan	10,000	25,000

Mr. A withdrew from the business ₹ 3,000 per month upto 30th September 2016 and thereafter ₹ 4,000 per month as drawings. ₹ 50,000 realised by the proprietor as maturity value of National Saving Certificates was invested in the business.

Prepare a statement showing net profit (or net loss) for the year.

Solution:

Statement of Affairs as on April 01, 2016			
Liabilities	₹	Assets	₹
Creditors	52,000	Cash in Hand	20,000
Loan	10,000	Cash at Bank	30,000
Capital	74,000	Debtors	17,000
(Balancing Figure)		Stock	40,000
		Fixed Assets	29,000
	1,36,000		1,36,000

Statement of Affairs as on March 31, 2017

Liabilities	₹	Assets	₹
Creditors	32,000	Cash in Hand	18,000
Loan	25,000	Cash at Bank	33,000
Capital	1,08,000	Debtors	25,000
<i>(Balancing Figure)</i>		Stock	60,000
		Fixed Assets	29,000
	1,65,000		1,65,000

Profit or Loss as on March 31, 2017

Particulars	₹
End of the year capital	1,08,000
Add: Drawings for the year $(3,000 \times 6 + 4,000 \times 6)$	42,000
Less: Extra capital submitted during the year	50,000
Capital adjusted at the year-end	1,00,000
Less: Capital at the year starting	74,000
Profit for the year	26,000

Question 29

Mr. White does not keep his books properly. Following information is available from his books.

	1-4-2015	31-3-2016
	₹	₹
Sundry Creditors	45,000	93,000
Loan from wife	66,000	57,000
S. Debtors	22,500	–
Land & Building	89,600	90,000
Cash in hand	7,500	8,700
Bank overdraft	25,000	–
Furniture	1,300	1,300
Stock	34,000	25,000

During the year Mr. White sold his private car for ₹ 50,000 and invested this amount into the business. He withdrew from the business ₹ 1,500 per month upto 31st October, 2015 and thereafter ₹ 4,500 per month as drawings. You are required to prepare a statement of profit or loss and a statement of affairs as of March 31, 2016.

Solution:

Statement of Affairs as on April 01, 2015			
Liabilities	₹	Assets	₹
Loan from Wife	66,000	Cash in Hand	7,500
Creditors	45,000	Furniture	1,300

Bank Overdraft	25,000	Stock	34,000
Capital (<i>Balancing Figure</i>)	18,900	Debtors	22,500
		Land & Building	89,600
	1,54,900		1,54,900

Statement of Affairs as on March 31, 2016

Liabilities	₹	Assets	₹
Creditors	93,000	Cash in Hand	8,700
Loan from Wife	57,000	Furniture	1,300
		Stock	25,000
		Land & Building	90,000
		Capital Overdrawn (<i>Balancing Figure</i>)	25,000
	1,50,000		1,50,000

Profit or Loss as on March 31, 2016

Particulars	₹
End of the year capital	(25,000)

Add: Drawings for the year ($1,500 \times 7 + 4,500 \times 5$)	33,000
Less: Extra capital submitted during the year	50,000
Capital adjusted at the year-end	(42,000)
Less: Capital at the year starting	(18,900)
Loss for the year	(60,900)

Question 30

X who keeps incomplete records, gives you the following information:

	1st April, 2016	31st March, 2017
	₹	₹
Stock in hand	18,700	20,400
Debtors	12,000	14,000
Creditors	9,000	1,500
Bills Receivable	4,000	5,000
Bills Payable	1,000	200
Furniture	600	600
Building	12,000	12,000
Bank Balance	4,350	3,350
		(Overdraft)

You are also given the following information:

- (i) A provision of ₹ 1,450 is required for bad and doubtful debts.
- (ii) Depreciation @ 5% is to be written off on Building and furniture.
- (iii) Wages outstanding ₹ 3,000; salaries outstanding ₹ 1,200.
- (iv) Insurance has been prepaid to the extent of ₹ 250.
- (v) Legal Expenses outstanding ₹ 700.
- (vi) Drawings of Mr. X during the year were ₹ 7,520.

Prepare a statement of Profit as on 31st March, 2017, and a final statement of affairs as at that date.

Solution:

Statement of Affairs as on March 31, 2016			
Liabilities	₹	Assets	₹
Bills Payable	1,000	Cash at Bank	4,350
Creditors	9,000	Stock	18,700
Capital (<i>Balancing Figure</i>)	41,650	Debtors	12,000
		Bills Receivable	4,000
		Furniture	600
		Building	12,000
	51,650		51,650

Statement of Affairs as on March 31, 2017			
Liabilities	₹	Assets	₹

Bills Payable	200	Stock	20,400
Creditors	1,500	Debtors	14,000
Bank Overdraft	3,350	Bills Receivable	5,000
Capital (<i>Balancing Figure</i>)	46,950	Furniture	600
		Building	12,000
	52,000		52,000

Profit or Loss as on March 31, 2017	
Particulars	₹
End of the year capital	46,950
Add: Drawings for the year	7,520
Less: Extra capital submitted during the year	
Capital adjusted at the year-end	54,470
Less: Capital at the year starting	41,650
Profit Before Adjustment	12,820
Less: Furniture Depreciation	30
Less: Building Depreciation	600
Less: Provision for Doubtful Debts	1,450

Less: Wages Outstanding	3,000
Less: Salaries Outstanding	1,200
Less: Legal Expenses Outstanding	00
Add: Prepaid Insurance	250
Profit for the year	6,090

Final Statement of Affairs as on March 31, 2017					
Liabilities		₹	Assets		₹
Creditors		1,500	Prepaid Insurance		250
Opening Capital	41,650		Bills Receivable		5,000
Add: Net Profit	6,090		Stock		20,400
Less: Drawings	7,520	40,220	Furniture	600	
Outstanding Wages		3,000	Less: Depreciation	30	570
Outstanding Salaries		1,200	Debtors	14,000	
Bills Payable		200	Less: Provision for Bad Debts	1,450	12,550
Bank Overdraft		3,350	Building	12,000	
Outstanding Legal Expenses		700	Less: Depreciation	600	11,400
		50,170			50,170

Question 31

The following information is available from Sachin, who maintains books of accounts on single entry system:

	1st April, 2016 ₹	31st March, 2017 ₹
Cash and Bank	20,000	21,000
Sundry Debtors	17,000	25,000
Stock	40,000	60,000
Furniture	29,000	29,000
Sundry Creditors	32,000	22,000
10% Loan from Mrs. Sachin	30,000	30,000

Sachin withdrew ₹ 5,000 from the business every month for meeting his household expenses. During the year, he sold investments held by him privately for ₹ 35,000 and invested the amount in his business.

At the end of the year 2016-17, it was found that full year's interest on loan from Mrs. Sachin had not been paid. Depreciation @ 10% per annum was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share.

Calculate profit earned during the year ended 31st March, 2017 by Sachin.

Solution:

Statement of Affairs as on April 01, 2016			
Liabilities	₹	Assets	₹
10% Loan from Mrs. Sachin	30,000	Cash and Bank	20,000
Creditors	32,000	Debtors	17,000

Capital (<i>Balancing Figure</i>)	44,000	Stock	40,000
		Furniture	29,000
	1,06,000		1,06,000

Statement of Affairs as on March 31, 2017

Liabilities	₹	Assets	₹
10% Loan from Mrs. Sachin	30,000	Cash at Bank	21,000
Creditors	22,000	Debtors	25,000
Capital (<i>Balancing Figure</i>)	83,000	Stock	60,000
		Furniture	29,000
	1,35,000		1,35,000

Profit or Loss as on March 31, 2017

Particulars	₹
End of the year capital	83,000
Add: Drawings for the year(5,000 × 12)	60,000
Less: Extra capital submitted during the year	35,000

Capital adjusted at the year-end	1,08,000
Less: Capital at the year starting	44,000
Profit Before Adjustment	64,000
Less: Furniture Depreciation	2,900
Less: Loan interest Outstanding	3,000
	58,100
Less: Share of Shop Assistant($58,100 \times 5/100$)	2,905
Profit for the year	55,195

Statement of Affairs as on March 31,2017					
Liabilities		₹	Assets		₹
Opening Capital	44,000		Cash at Bank		21,000
Add: Net Profit	55,195		Debtors		25,000
Add: Extra Capital added	35,000		Stock		60,000
Less: Drawings	60,000	74,195	Furniture	29,000	
Creditors		22,000	Less: Depreciation	2,900	26,100
Shop's Assistant Share		2,905			
10% Loan from Sachin	30,000				

Add: Interest Outstanding	3,000	33,000		
		1,32,100		1,32,100

Question 32

A retail Trader has not kept proper books of accounts. Ascertain his profit or loss for the year ending 31st March, 2017, and prepare a final statement of affairs from the following information:

	1st April, 2016	31st March, 2017
	₹	₹
Cash Balance	3,500	4,100
Bank Balance	Dr. 6,000	Cr. 15,000
Stock	22,000	36,400
Sundry Debtors	18,800	34,500
Sundry Creditors	12,100	8,000
Loan from X	–	10,000
Bills Receivable	4,000	–
Fixed Assets	40,000	60,000

He withdrew from the business ₹ 1,500 per month for his personal use and ₹ 8,000 for giving a personal loan to his brother. He also used a house for his personal purposes, the rent of which at the rate of ₹ 900 per month and electricity charges at an average rate of ₹ 250 per month were paid from the business account.

He had received a lottery prize of ₹ 25,000, out of which he invested half the amount in business.

He has not paid two months' salary to his clerk @ ₹ 1,200 per month, but insurance premium @ ₹ 600 per annum was paid on 1st October, 2016 to run for one year.

Loan from X was taken on 1st July, 2016 on which interest was unpaid @ 18% p.a.

Fixed assets are to be depreciated @ 10% p.a.

Solution:

Statement of Affairs as on April 01, 2016			
Liabilities	₹	Assets	₹
Creditors	12,100	Cash at Bank	6,000
Capital (<i>Balancing Figure</i>)	82,200	Stock	22,000
		Debtors	18,800
		Bills Receivable	4,000
		Fixed Assets	40,000
		Cash in Hand	3,500
	94,300		94,300

Statement of Affairs as on March 31, 2017			
Liabilities	₹	Assets	₹
Loan from X	10,000	Stock	36,400
Creditors	8,000	Debtors	34,500
Bank Overdraft	15,000	Cash	4,100
Capital (<i>Balancing Figure</i>)	1,02,000	Fixed Assets	60,000

	1,35,000		1,35,000

Profit or Loss as on <i>March 31, 2017</i>			
Particulars		₹	
End of the year capital		1,02,000	
	Add: Drawings for the year (WN)	39,800	
	Less: Extra capital submitted during the year (25,0002)	12,500	
Capital adjusted at the year-end		1,29,300	
	Less: Capital at the year starting	82,200	
Profit Before Adjustment		47,100	
	Less: Fixed Assets Depreciation	6,000	
	Less: Loan interest Outstanding	1,350	
	Less: Salary Outstanding	2,400	
	Add: Prepaid Insurance	300	
Profit for the year		37,650	

Final Statement of Affairs as on March 31, 2017			
Liabilities	₹	Assets	₹

Creditors		8,000	Cash		4,100
Opening Capital	82,200		Stock		36,400
Add: Additional Capital	12,500		Debtors		34,500
Add: Net Profit	37,650		Prepaid Insurance		300
Less: Drawings	39,800	92,550	Fixed Assets	60,000	
Outstanding Salary		2,400	Less: Depreciation	6,000	54,000
Loan from X		10,000			
Bank Overdraft		15,000			
Outstanding Interest on Loan		1,350			
		1,29,300			1,29,300

Working Note: Drawings Evaluation

Cash Withdrawn = ₹ 18,000

Loan to Brother = ₹ 8,000

Rent = ₹ 10,800

Electricity Charges = ₹ 3,000

= ₹ 39,800

Question 33

Gopal keeps incomplete records. On 1st April, 2016, his position was as follows:

Liabilities	₹	Assets	₹
Bank Overdraft	7,500	Cash	6,400

Sundry Creditors	15,000	Stock	52,000
Capital	1,64,500	Sundry Debtors	28,000
		Fixed Assets	1,00,000
		Prepaid Expenses	600
	1,87,000		1,87,000

His position on 31st March, 2017 was as follows:

Cash in hand ₹ 3,000; Cash at Bank ₹ 5,000; Stock ₹ 44,000; Debtors ₹ 21,000; Fixed Assets ₹ 80,000; Creditors ₹ 22,000.

You are informed that Gopal has taken stocks worth ₹ 4,500 for his private use and that he has been regularly transferring ₹ 2,000 per month from his business banking account by way of drawings. Out of his drawings he spent ₹ 15,000 for purchasing a Scooter for the business on 1st October, 2016.

You are requested to find out his profit or loss and to prepare the Statement of Affairs after considering the following :

1. Depreciate Fixed Assets and Scooter by 10% p.a.
2. Write off Bad-Debts ₹ 1,000 and provide 5% for doubtful debts on Sundry Debtors.
3. Commission earned but not received by him was ₹ 2,500.

Solution:

Statement of Affairs as on March 31, 2017			
Liabilities	₹	Assets	₹
Creditors	22,000	Cash at Bank	5,000
Capital (<i>Balancing Figure</i>)	1,46,000	Cash in Hand	3,000
		Stock	44,000

		Debtors	21,000
		Fixed Assets	80,000
		Scooter	15,000
	1,68,000		1,68,000

Profit or Loss as on March 31, 2017

Particulars		₹
End of the year capital		1,46,000
<i>Add:</i> Drawings for the year (24,000 + 4,500 – 15,000)		13,500
<i>Less:</i> Extra capital submitted during the year		
Capital adjusted at the year-end		1,59,500
<i>Less:</i> Capital at the year starting		1,64,500
Loss Before Adjustment		(5,000)
<i>Less:</i> Fixed Assets Depreciation on		8,000
<i>Less:</i> Scooter Depreciation		750
<i>Less:</i> Bad Debts		1,000
<i>Less:</i> Provision for Doubtful Debts		1,000
<i>Add:</i> Accrued Commission		2,500

Loss for the year	(13,250)

Final Statement of Affairs as on March 31, 2017					
Liabilities		₹	Assets		₹
Creditors		22,000	Cash in Hand		3,000
Opening Capital	1,64,500		Cash at Bank		5,000
Less: Net Loss	13,250		Stock		44,000
Less: Drawings	13,500	1,37,750	Debtors	21,000	
			Less: Bad Debts	1,000	
			Less: Provision for Bad Debts	1,000	19,000
			Fixed Assets	80,000	
			Less: Depreciation	8,000	72,000
			Scooter	15,000	
			Less: Depreciation	750	14,250
			Accrued Commission		2,500
		1,59,750			1,59,750

Question 34

A retail trader did not keep his books on the double entry system. Following balances were obtained from his books:

	1st April 2013	31st March 2014
	₹	₹
Sundry Debtors	32,000	38,800
Sundry Creditors	20,300	24,600
Cash	6,000	–
Stock	22,000	28,000
Office Equipments	8,000	8,000
Machinery	30,000	40,000

Following further details of the transactions for the year ended 31st March, 2014 are available from his incomplete records:

	₹
Sales (including Cash Sales ₹ 62,000)	1,20,000
Purchases (including Cash Purchases ₹ 25,000)	72,000
Salaries	16,500
Drawings	8,500
Rent, Taxes & Insurance	7,100
Bad-Debts written off	2,400

You are required to prepare his Trading, P & L A/c and Balance Sheet after considering the following:

1. ₹ 1,500 are outstanding for salaries.
2. Insurance was unexpired to the extent of ₹ 800.
3. Goods worth ₹ 2,000 were used by the proprietor for personal use.

Solution:

Trading Account as on March 31, 2014			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	22,000	Sales (Cash + Credit)	1,20,000
Purchases (Cash + Credit – Drawings)	70,000	Closing Stock	28,000
Gross Profit	56,000		
	1,48,000		1,48,000

Profit & Loss Account as on March 31, 2014				
Dr.				Cr.
Particulars	₹		Particulars	₹
Salaries	16,500		Gross Profit	56,000
Add: Outstanding	1,500	18,000		
Rent, Rates & Insurance	7,100			
Less: Prepaid	800	6,300		

Bad Debts	2,400		
Net Profit	29,300		
	56,000		56,000

Balance Sheet as on March 31, 2014				
Dr.				Cr.
Liabilities		₹	Assets	₹
Capital	77,700		Debtors	38,800
Less: Drawings	10,500		Cash	7,000
Add: Net Profit	29,300	96,500	Stock	28,000
Closing Creditors		24,600	Office Equipment	8,000
Outstanding Salary		1,500	Machinery	40,000
			Unexpired Insurance	800
		1,22,600		1,22,600

Working Notes:

Balance Sheet as on March 31, 2013			
Dr.			Cr.

Liabilities	₹	Assets	₹
Creditors	20,300	Debtors	32,000
Capital (<i>Balancing figure</i>)	77,700	Cash	6,000
		Stock	22,000
		Office Equipments	8,000
		Machinery	30,000
	98,000		98,000

Cash Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	6,000	Creditors A/c	42,700
Debtors A/c	48,800	Purchases A/c	25,000
Sales A/c	62,000	Salary A/c	16,500
		Drawings	8,500
		Rent, Rates & Insurance	7,100
		Machinery A/c	10,000
		Balance c/d <i>Balancing Figure</i>)	7,000

	1,16,800		1,16,800

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	32,000	Cash A/c	48,800
Sales A/c	58,000	Bad-Debts A/c	2,400
		Balance c/d	38,800
	90,000		90,000

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	42,700	Balance b/d	20,300
Balance c/d	24,600	Purchases A/c	47,000
	67,300		67,300

Question 35

Mr. Manoj keeps incomplete records. During the year 2014-15 the analysis of his cash book was as under:-

	(₹		₹
Receipts from Debtors	6,20,200	Bank Overdraft (1-4-2014)	16,500
Cash Sales	2,08,000	Salaries	22,000
Additional Capital introduced	50,000	Rent	11,000
Miscellaneous receipts	1,800	Payment to Creditors	5,20,000
Bank Overdraft (31-3-2015)	2,500	Furniture purchased (1-10-2014)	75,000
		Cash Purchases	2,10,000
		General Expenses	8,000
		Drawings	20,000
	8,82,500		8,82,500

Assets and Liabilities as on:	1st April, 2014 ₹	31st March, 2015 ₹
Sundry Debtors	62,000	?
Sundry Creditors	46,000	30,000
Stock	58,000	72,000
Furniture	25,000	?

Other Informations:

- (i) Credit sales during the year were ₹ 7,00,000
- (ii) Sales Returns were ₹ 10,000
- (iii) Discount allowed to debtors ₹ 8,400
- (iv) Discount received from creditors ₹ 6,000
- (v) Bad-debts written off during the year ₹ 11,400

Adjustments:

- (i) Write off further bad-debts ₹ 2,000.
- (ii) Provide 5% for doubtful debts and 2% for discount on debtors and creditors.
- (iii) Charge 10% p.a. depreciation on furniture.
- (iv) One month salaries and one month rent was outstanding.

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2015 and a Balance Sheet as at that date.

Solution:

Trading Account as on March 31, 2015			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	58,000	Sales (Cash + Credit – Returns)	8,98,000
Purchases (Cash + Credit)	7,20,000	Closing Stock	72,000
Gross Profit	1,92,000		
	9,70,000		9,70,000

Profit & Loss Account as on March 31, 2015			
Dr.			Cr.

Particulars		₹	Particulars	₹
Salaries	22,000		Gross Profit	1,92,000
Add: Outstanding	2,000	24,000	Provision for Discount on Creditors	600
Rent	11,000		Miscellaneous Receipts	1,800
Add: Outstanding	1,000	12,000	Discount Received	6,000
General Expenses		8,000		
Bad Debts (2,000 + 11,400)	13,400			
Add: Provision for Doubtful Debts	5,500	18,900		
Provision for Discount on Debtors		2,090		
Discount Allowed		8,400		
Depreciation on Furniture (2,500 + 3,750)		6,250		
Net Profit		1,20,760		
		2,00,400		2,00,400

Balance Sheet as on March 31, 2015

Dr.			Cr.
Liabilities	₹	Assets	₹

Capital (82,500 + 50,000)	1,32,500		Debtors (1,12,000 – 2,000 – 5,500 – 2,090)	1,02,410
Less: Drawings	20,000		Stock	72,000
Add: Net Profit	1,20,760	2,33,260	Furniture (25,000 + 75,000 – 6,250)	93,750
Closing Creditors (30,000 – 600)		29,400		
Outstanding Salary		2,000		
Outstanding Rent		1,000		
Bank Overdraft		2,500		
		2,68,160		2,68,160

Working Notes:

Balance Sheet as on March 31, 2014			
Dr.			Cr.
Liabilities	₹	Assets	₹
Creditors	46,000	Debtors	62,000
Loan	16,500	Stock	58,000
Capital (<i>Balancing figure</i>)	82,500	Furniture	25,000
	1,45,000		1,45,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	62,000	Cash A/c	6,20,200
Sales A/c	7,00,000	Sales Return A/c	10,000
		Discount Allowed A/c	8,400
		Bad Debts A/c	11,400
		Balance c/d	1,12,000
	7,62,000		7,62,000

Creditor Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	5,20,000	Balance b/d	46,000
Discount Received A/c	6,000	Purchases A/c	5,10,000
Balance c/d	30,000		
	5,56,000		5,56,000

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Question 36

Sh. Param Bhushan does not maintain proper books of accounts. From the following, prepare his trading and profit & loss account for the year ended 31st March, 2015, together with balance sheet as at that date:

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	80,000	Cash	22,000
Outstanding Salaries	4,000	Sundry Debtors	1,50,000
Capital	8,08,000	Stock	1,20,000
		Plant and Machinery	2,00,000
		Freehold Premises	4,00,000
	8,92,000		8,92,000

Cash book analysis shows the following:

	₹
Payment to Creditors	4,00,000
Staff Salaries	76,000
Rent Paid	17,300
General Expenses (including insurance premium of ₹ 2,400 paid on 1st January 2015 to run for one year)	8,700
Personal Withdrawals	12,000

Received from Debtors	5,50,000
Cash Sales	1,10,000
Purchase of Computers (on 1st January, 2015)	40,000
Purchase of Furniture (on 1st January, 2015)	60,000

The following further information is available:

Closing Stock ₹ 1,35,000; Closing Debtors ₹ 1,92,000; Closing Creditors ₹ 72,000; Outstanding Salaries at the end ₹ 6,000; General Expenses include ₹ 5,000 for house rent of Sh. Param Bhushan and Cash Sale include ₹ 30,000 for sale of his personal jewellery.

Create a provision of 212% for doubtful debts and depreciate plant and machinery by 10% p.a. and computers and furniture by 20% p.a. Also provide 5% for group incentive commission to staff on net profit after charging such commission.

Solution:

Trading Account as on March 31, 2015			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	1,20,000	Sales (Cash + Credit)	6,72,000
Purchases (Credit)	3,92,000	Closing Stock	1,35,000
Gross Profit	2,95,000		
	8,07,000		8,07,000

Profit & Loss Account as on March 31, 2015			

Dr.				Cr.
Particulars		₹	Particulars	₹
Staff Salaries		76,000	Gross Profit	2,95,000
Rent Paid		17,300		
General Expenses		1,300		
Insurance Premium		600		
Outstanding Salaries (6,000 – 2,000)		2,000		
Provision for Doubtful Debts		4,800		
Depreciation on				
Plant & Machinery	20,000			
Computer	2,000			
Furniture	3,000	25,000		
Staff Commission		8,000		
Net Profit		1,60,000		
		2,95,000		2,95,000

Balance Sheet as on March 31, 2015

Dr.			Cr.

Liabilities		₹	Assets	₹
Capital (8,08,000 + 30,000)	8,38,000		Cash	68,000
Less: Drawings	17,000		Debtors (1,92,000 – 4,800)	1,87,200
Add: Net Profit	1,60,000	9,81,000	Stock	1,35,000
Closing Creditors		72,000	Plant & Machinery (2,00,000 – 20,000)	1,80,000
Outstanding Salary		6,000	Computer (40,000 – 2,000)	38,000
Staff Commission Payable		8,000	Furniture (60,000 – 3,000)	57,000
			Freehold Premises	4,00,000
			Prepaid Insurance Premium	1,800
		10,67,000		10,67,000

Working Notes:

Cash Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	22,000	Creditors A/c	4,00,000
Debtors A/c	5,50,000	Staff Salaries	76,000
Sales A/c	80,000	Rent	17,300

Capital A/c	30,000	General Expenses	3,700
		Drawings (12,000 + 5,000)	17,000
		Computer	40,000
		Furniture	60,000
		Balance c/d (Balancing Figure)	68,000
	6,82,000		6,82,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	1,50,000	Cash A/c	5,50,000
Sales A/c	5,92,000	Balance c/d	1,92,000
	7,42,000		7,42,000

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹

Cash A/c	4,00,000	Balance b/d	80,000
Balance c/d	72,000	Purchases A/c	3,92,000
	4,72,000		4,72,000

Question 37

From the following particulars, ascertain the value of Opening Stock:-

	₹		₹
Purchases	60,000	Wages	3,000
Sales	1,05,000	Carriage Outwards	1,200
Closing Stock	20,000	Rate of Gross Profit on cost of goods sold	50%

Solution:

Gross Profit Rate (on cost) = 50%

Gross Profit Rate (on sales) = 33.33%

Gross Profit = 33.33% of (1,05,000) = ₹ 35,000

Gross Profit = Net Sales – Cost of Goods Sold

₹ 35,000 = ₹ 1,05,000 – Cost of Goods Sold

Similarly, Cost of Goods Sold = ₹ 1,05,000 – ₹ 35,000 = ₹ 70,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹ 70,000 = Opening Stock + ₹ 60,000 + ₹ 3,000 – ₹ 20,000

Opening Stock = ₹ 70,000 – ₹ 60,000 – ₹ 3,000 + ₹ 20,000 = ₹ 27,000

Question 38

Mr. Bhardwaj has kept incomplete records. He submits to you the following information:

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	₹		₹
Sundry Creditors	18,000	Cash at Bank	7,600
Capital	82,000	Sundry Debtors	42,400
		Stock	20,000
		Machinery	30,000
	1,00,000		1,00,000

Bhardwaj banks all receipts and makes all payments only by means of cheques. Following is the analysis of his bank transactions:

	₹
Receipt from Debtors	96,400
Payment to Creditors	62,500
Payment of Freight & Carriage	2,000
Payment of Office Expenses	10,800
Drawings	12,200

Sundry Debtors on 31st March, 2015 were ₹ 36,000 and Sundry Creditors were ₹ 25,000. No information is available regarding stock-in-trade on 31st March, 2015, but it is ascertained that Mr. Bhardwaj takes 20% profit on Sales. Prepare Bhardwaj's Bank A/c, Trading and Profit & Loss A/c and a Balance Sheet as at 31st March, 2015.

Solution:

Trading Account as on 31st december, 2007			

Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	20,000	Sales (Credit)	90,000
Purchases (Credit)	69,500	Closing Stock	19,500
Freight & Carriage	2,000		
Gross Profit	18,000		
	1,09,500		1,09,500

Profit & Loss Account as on 31st december, 2007			
Dr.			Cr.
Particulars	₹	Particulars	₹
Office Expenses	10,800	Gross Profit	18,000
Net Profit	7,200		
	18,000		18,000

Balance Sheet as on 31st December, 2007			
Dr.			Cr.
Liabilities	₹	Assets	₹

Capital	82,000		Cash at Bank	16,500
Less: Drawings	12,200		Debtors	36,000
Add: Net Profit	7,200	77,000	Stock	19,500
Closing Creditors		25,000	Machinery	30,000
		1,02,000		1,02,000

Working Notes:

Bank Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	7,600	Creditors A/c	62,500
Debtors A/c	96,400	Freight & Carriage A/c	2,000
		Office Expenses A/c	10,800
		Drawings A/c	12,200
		Balance c/d (Balancing Figure)	16,500
	1,04,000		1,04,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	42,400	Bank A/c	96,400
Sales A/c	90,000	Balance c/d	36,000
	1,32,400		1,32,400

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Bank A/c	62,500	Balance b/d	18,000
Balance c/d	25,000	Purchases A/c	69,500
	87,500		87,500

Rate of Gross Profit (on sales) = 20%

Gross Profit = 20% of 90,000 = 18,000

Gross Profit = Net Sales – Cost of Goods Sold

₹18,000 = ₹ 90,000 – Cost of Goods Sold

Cost of Goods Sold = ₹90,000 – ₹18,000 = ₹ 72,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

$$₹72,000 = ₹20,000 + ₹69,500 + ₹2,000 - \text{Closing Stock}$$

$$\text{Closing Stock} = ₹20,000 + ₹69,500 + ₹2,000 - ₹72,000 = ₹19,500$$

Question 39

From the following records kept on single entry basis, prepare final accounts assuming that ratio of gross profit to sales is 25%:

	1-1-2007 ₹	31-12-2007 ₹
Cash at Bank	1,400	1,800
Debtors	?	2,400
Stock	?	1,700
Fixed Assets	10,000	10,000
Creditors	1,600	?
Loan	1,000	800

Transactions during the year 2007:

	₹
Collections from debtors	9,300
Cash Sales	1,000
Credit Sales	9,000
Payment to Creditors	6,100
Cash Purchases	1,600
Credit Purchase	6,400

Drawings	1,000
Business Expenses	1,000
Discount Received	200
Discount Allowed	100

Solution:

Trading Account as on 31st december, 2007			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	1,200	Sales (Cash + Credit)	10,000
Purchases (Cash + Credit)	8,000	Closing Stock	1,700
Gross Profit	2,500		
	11,700		11,700

Profit & Loss Account as on 31st december, 2007			
Dr.			Cr.
Particulars	₹	Particulars	₹
Business Expenses	1,000	Gross Profit	2,500
Discount Allowed	100	Discount Received	200

Net Profit	1,600		
	2,700		2,700

Balance Sheet as on 31st december, 2007				
Dr.				Cr.
Liabilities		₹	Assets	₹
Capital	12,800		Cash at Bank	1,800
Less: Drawings	1,000		Debtors	2,400
Add: Net Profit	1,600	13,400	Stock	1,700
Closing Creditors		1,700	Fixed Assets	10,000
Loan		800		
		15,900		15,900

Working Notes:

Balance Sheet as on January01, 2007			
Dr.			Cr.
Liabilities		₹	Assets

Creditors	1,600	Cash at Bank	1,400
Loan	1,000	Debtors	2,800
Capital (<i>Balancing figure</i>)	12,800	Stock	1,200
		Fixed Assets	10,000
	15,400		15,400

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	2,800	Cash A/c	9,300
Sales A/c	9,000	Discount Allowed A/c	100
		Balance c/d	2,400
	11,800		11,800

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	6,100	Balance b/d	1,600

Discount Received A/c	200	Purchases A/c	6,400
Balance c/d	1,700		
	8,000		8,000

Rate of Gross Profit (on sales) = 25%

Gross Profit = 25% of (1,000 + 9,000) = ₹2,500

Gross Profit = Net Sales – Cost of Goods Sold

₹2,500 = ₹10,000 – Cost of Goods Sold

Cost of Goods Sold = ₹10,000 – ₹2,500 = ₹ 7,500

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹7,500 = Opening Stock + (₹1,600 + ₹6,400) + 0 – ₹1,700

Opening Stock = ₹7,500 – ₹8,000 + ₹1,700 = ₹ 1,200

Question 40

Sonam keeps his books on single entry and provides you with the following information:

	31-12-2006 ₹	31-12-2007 ₹
Furniture and Fitting	50,000	60,000
Stock	30,000	10,000
Sundry Debtors	60,000	70,000
Sundry Creditors	20,000	NIL
Prepaid Expenses	NIL	2,000
Outstanding Expenses	6,000	10,000

Cash in hand	11,000	3,000
<i>Receipts and Payments in 2007:</i>		
Receipts from Debtors		2,10,000
Paid to Creditors		1,00,000
Cartage		20,000
Drawings		1,20,000
Sundry Expenses		1,60,000
Furniture Purchased for Cash		10,000

Prepare Trading and Profit & Loss Account for the year ended 31 December, 2007 after providing for bad debts at 10%.

There was a considerable amount of Cash Sales.

Solution:

Trading Account as on March 31, 2007			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	30,000	Sales (Cash + Credit)	4,12,000
Purchases (Credit)	80,000	Closing Stock	10,000
Cartage	20,000		
Gross Profit	2,92,000		
	4,13,000		4,13,000

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Profit & Loss Account as on March 31, 2007			
Dr.			Cr.
Particulars	₹	Particulars	₹
Sundry Expenses	1,60,000	Gross Profit	2,92,000
Provision for Bad Debts	7,000	Prepaid Expenses	2,000
Outstanding Expenses	4,000		
Net Profit	1,23,000		
	2,94,000		2,94,000

Balance Sheet as on March 31, 2007			
Dr.			Cr.
Liabilities	₹	Assets	₹
Capital	1,25,000	Furniture & Fittings	60,000
Less: Drawings	1,20,000	Stock	10,000
Add: Net Profit	1,23,000	Debtors (70,000 – 7,000)	63,000
Outstanding Expenses	10,000	Prepaid Expenses	2,000
		Cash in hand	3,000

	1,38,000		1,38,000

Working Notes:

Balance Sheet as on March 31, 2006			
Dr.			Cr.
Liabilities	₹	Assets	₹
Creditors	20,000	Furniture & Fittings	50,000
Outstanding Expenses	6,000	Stock	30,000
Capital (<i>Balancing figure</i>)	1,25,000	Debtors	60,000
		Cash in hand	11,000
	1,51,000		1,51,000

Cash Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	11,000	Creditors A/c	1,00,000
Debtors A/c	2,10,000	Cartage A/c	20,000
Sales A/c (<i>Balancing Figure</i>)	1,92,000	Drawings A/c	1,20,000

		Sundry Expenses A/c	1,60,000
		Furniture A/c	10,000
		Balance c/d	3,000
	4,13,000		4,13,000

Debtors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Balance b/d	60,000	Cash A/c	2,10,000
Sales A/c	2,20,000	Balance c/d	70,000
	2,80,000		2,80,000

Creditors Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Cash A/c	1,00,000	Balance b/d	20,000
		Purchases A/c	80,000

	1,00,000		1,00,000

Question 41

Ascertain the value of Closing Stock from the following:

	₹
Stock in the beginning	18,000
Purchases	69,000
Sales	1,02,000
Sales Return	2,000
Freight	10,000

Rate of G.P. on cost is 25%.

Solution:

Rate of Gross Profit (on cost) = 25%

Rate of Gross Profit (on sales) = 20%

Gross Profit = 20% of 1,00,000 = ₹20,000

Gross Profit = Net Sales – Cost of Goods Sold

₹20,000 = ₹1,00,000 – Cost of Goods Sold

Cost of Goods Sold = ₹1,00,000 – ₹20,000 = ₹ 80,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

₹80,000 = ₹18,000 + ₹69,000 + ₹10,000 – Closing Stock

Closing Stock = ₹18,000 + ₹69,000 + ₹10,000 – ₹80,000 = ₹ 17,000