

## Chapter - 8

### Bill of Exchange

#### Section-A: One Mark Questions:

##### I: Fill in the blanks:-

1. A bill of exchange is a \_\_\_\_\_ instrument.
2. A bill of exchange is drawn by the \_\_\_\_\_ upon his \_\_\_\_\_.
3. A bill of exchange can be drawn on any \_\_\_\_\_ including a bank.
4. There are \_\_\_\_\_ parties to a bill of exchange.
5. A bill of exchange must be in \_\_\_\_\_.
6. Drawer and \_\_\_\_\_ cannot be the same parties in case of a bill of exchange.
7. \_\_\_\_\_ days of grace are added in terms of the bill to calculate the due date.
8. A bill of exchange is called a \_\_\_\_\_ by one who is liable to pay it on the due date.
9. \_\_\_\_\_ is payable by the debtor to the creditor when a bill is renewed.
10. The renewal of a bill implies that the \_\_\_\_\_ must be first cancelled.
11. If a bill is not paid on its due date, it is said to be \_\_\_\_\_.
12. A Promissory note is an instrument in writing containing an unconditional \_\_\_\_\_ to pay.
13. There are \_\_\_\_\_ parties in a promissory note.
14. A promissory note does not include \_\_\_\_\_.
15. The person to whom the amount mentioned in the promissory note is payable is known as \_\_\_\_\_.
16. A Person who endorses the promissory note in favour of another is known as \_\_\_\_\_.

##### II: Multiple Choice Questions:-

1. Bills of Exchange are covered under
  - a. Indian contract Act-1887
  - b. Negotiable instruments Act-1881
  - c. Sale of Goods Act-1930
  - d. Companies Act-1956
2. A bill of exchange is an acknowledgement of
  - a. Receipt
  - b. Loan
  - c. Debt
  - d. Payment
3. Who signs a bill of exchange at the time of making the bill?
  - a. Drawer
  - b. Drawee
  - c. Payee
  - d. None of these

4. Drawee mean a person who
  - a. Makes the order
  - b. Accepts the order
  - c. Is a Payee
  - d. All of these
5. Drawer means a person who
  - a. Makes the order
  - b. Accepts the order
  - c. Is a payee
  - d. All of these
6. The promissory note should be signed by the
  - a. Maker
  - b. Drawee
  - c. Payee
  - d. None of these
7. A promissory note does not require
  - a. Discounting
  - b. Acceptance
  - c. Noting
  - d. All of these
8. Noting charges are paid at the time of
  - a. Renewal of the bill
  - b. Retirement of the bill
  - c. Dishonour of the bill
  - d. None of the these
9. The fee charged for getting the bill noted after dishonour is called
  - a. Discounting charge
  - b. Noting charge
  - c. Interest
  - d. None of these
10. Bills Receivable Account is
  - a. An expense account
  - b. An asset account
  - c. A liability account
  - d. A revenue account
11. When a bill of exchange is endorsed, the amount is payable to the
  - a. Original holder
  - b. Bank
  - c. Endorsee
  - d. Notary public

12. When a bill endorsed is dishonoured, which one of these accounts would be credited by the drawee?
- Bills Payable A/c
  - Drawer's A/c
  - Bank A/c
  - Bill Dishonoured A/c

**III: True or False:-**

- A bill of exchange must be in writing
- A bill of exchange must be accepted by the payee.
- There are two parties to a bill of exchange.
- Bill of exchange is a legal document.
- A bill of exchange is drawn by the creditor.
- Bill of exchange cannot be endorsed to creditors.
- Bill of exchange is an order for the payment.
- A bill of exchange is drawn for all cash transactions.
- Bill of exchange is written by debtor.
- A bills payable on demand is called Time Bill.
- The person to whom payment is to be made in a bill of exchange is called Payee.
- A Negotiable Instrument does not require the signature of its maker.
- While calculating date of maturity of every bill 3 days of grace are included.
- Payment of the bill before maturity is called retiring.
- Bill discounted is a contingent liability.
- Promissory note is written by the debtor.
- The hundi payable at sight is called Darshani hundi.
- A Negotiable instrument is not freely transferable.
- Stamping of promissory note is not mandatory.
- The time of payment of a negotiable instrument need not be certain.

**IV: Very Short Answer Questions:-**

- What is a bill of exchange?
- State one feature of bill of exchange.
- Name any one party to a bill of exchange.
- Give the meaning of maturity of a bill.
- What is a promissory Note?
- State one feature of promissory note.
- Name any one party to a Promissory Note.
- Write any one difference between Bills of Exchange and Promissory Note.
- Who is a Drawer?
- Who is a Drawee?
- Who is a Payee?
- Who is a Promisor?
- Who is a Promisee?
- Who is an Endorser?
- Who is an Endorsee?
- Give the meaning of noting.
- What is a protest?
- Give the meaning of accommodation of bill of exchange.

## **Section-D: Twelve Marks problems:-**

### **I. Problems on Bill of Exchange drawn, accepted and honoured on the due date**

1. On 01.01.2017 Ramu sold goods to Shamu on credit for Rs.1,00,000. Ramu drew a bill on Shamu for 3 months. Shamu accepted the bill. On the due date bill was duly honoured. **Pass Journal entries in the books of both the parties.**
2. On 01.04.2017 Ravi sold goods to Shashi on credit for Rs.50,000 & drew a 3 Months bill. On the same day Shashi accepted the bill. On the due date the bill was honoured by Shashi. **Pass the necessary Journal entries in the books of both the parties.**
3. On 01.01.2017 A sold goods on credit to B Rs.20,000 for 2 months. A drew 2 months bill on B. B accepted the bill. After acceptance, the bill was returned to A. On the due date the bill was duly honoured. **Pass journal entries in the books of both the parties.**
4. Amar sold goods to Balu for Rs. 25,000 on 01.01.2017. On the same day a bill is drawn & accepted by Balu for 3 months. On the due date the bill was honoured. **Pass necessary journal entries in the books of Amar & Balu.**

### **II. Problems on Bill of Exchange drawn, accepted and dishonoured**

5. Ramesh sold goods to Suresh for Rs.15,000 on 01.01.2017. On the same day, a bill is drawn & accepted by Suresh for 3 months. On the due date, the bill was dishonoured. **You are required to pass the necessary Journal Entries in the books of both the parties.**
6. On 01.01.2017, Sundar sold goods to Mahesh on credit for Rs.10,000. Sundar drew a bill of exchange & Mahesh accepted. After acceptance, the bill was returned to Sundar. On the due date, the bill was dishonoured. **Pass necessary Journal entries in the books of both the parties.**

### **III. Problems on Bill of Exchange drawn, accepted discounted and honoured on the due date**

7. On 01.01.2017 Manju sold goods to Mahesh for Rs.5,000 and drew 3 months bill for the amount. After acceptance, Manju discounted the bill with his banker for 4,900. On the due date the bill was honoured. **Pass Journal entries in the books of all the parties.**

8. X Sold goods to Y for Rs.1,00,000 on 01.01.2017. On the same day a bill is drawn & accepted by Y for 3 months. A month before the due date, X discounted the bill with his bank at 10% p.a. The bill was met on the due date. **You are required to pass the necessary Journal entries in the books of both the parties.**
9. On 01.02.2017 Kamala drew a three months bill for Rs.2,00,000 on Shashikala. On the same date, she discounted the bill with his banker at 12% p.a. On the due date the acceptor of the bill honoured it.

**Pass the Journal entries in the books of both the parties.**

<b>IV. Problems on Bill of Exchange drawn, accepted endorsed and honoured on the due date</b>
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10. On 01.03.2017 Amar drew a bill for Rs.10000 on Bimal for two months. Bimal accepted and returned it to Amar who endorses the same to Kamal. On the due date the bill was met.  
**Pass the necessary Journal entries in the books of all the parties.**
11. On 01.01.2017, A drew upon B for goods sold a bill of 3 months for Rs.200000. After acceptance A endorsed the bill to C. On the due date, the bill was duly honoured.

**Pass the necessary Journal entries in the books of all the parties.**

12. On 01.01.2017 Prasad sold goods for Rs.10,000 to Prakash on credit and drew a bill on Prakash for 3 months. Prakash accepted the bill on the same date. The bill was endorsed to Mukesh on the due date, the bill was duly met.  
**Pass Journal entries in the books of all the parties.**

<b>V. Problems on discounted bill dishonoured and noting charges incurred</b>
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13. On 01.01.2017 Narayana drew a three months bill of Rs.2,50,000 to Keshava. On the same date he discounted the bill with his banker at 10% p.a. On the due date the acceptor of the bill dishonoured it. Keshava paid noting charges of Rs.100.  
**Pass the necessary Journal entries in the books of both the parties.**
14. On 01.02.2017, Rama Rao sold goods to Rehaman for Rs.50,000 and drew 3 months bill for the amount. After acceptance Rama Rao discounted the bill for Rs.49,000. On the due date the bill was dishonoured and Rama Rao paid noting charges of Rs.500.  
**Pass necessary Journal entries in the books of both the parties.**

<b>VI. Problems on Endorsed bill dishonoured and noting charges incurred.</b>
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15. On 01.02.2017 Vijay draws a bill on Praveen for Rs.8,000 for 3 months. After the bill is duly accepted, Vijay endorsed the bill to Madhava in settlement of account on 4<sup>th</sup> March 2017, who discounts it at 6% p.a. On the due date, the bill is dishonoured and Vijay paid Rs.100 as noting charges.

**Pass Journal entries in the books of all the parties.**

16. 01.01.2017 Prakruthi drew a bill of exchange for 3 months for Rs.5000 on Kavya. After acceptance the bill was endorsed to Shilpa. On the due date the bill was dishonoured. Shilpa paid noting charges of Rs.100.

**Pass the Journal entries in the books of all the parties.**

17. A sold goods to B for Rs.30,000 on 01.01.2017 and drew a bill of exchange for three months for the amount. After acceptance, A discounted the bill with bank and received Rs.29,500. On the due date, the bill was dishonoured and noting charges paid by A amounted to Rs.200.

**Pass necessary Journal Entries in the books of all the parties.**

<b>VII. Problems on Renewal of bill</b>
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18. On 01.04.2017, John drew a bill of Rs.2,000 on Francis for three months credit. Francis accepted the bill, but on due date Francis approached John and requested him to accept Rs.1,000 in cash and drew on him a new bill of Rs.1,100 for a period of three months (Rs.100 being for interest) in cancellation of the old bill. John agreed to this proposal.

**Pass Journal entries in the books of both parties.**

19. B owes C a sum of Rs.6,000 on 1<sup>st</sup> April 2017. He accepts the bill drawn by C for 3 months. C gets it discounted with his bankers on the same day for Rs.5,700. On the due date, the bill is dishonoured. The bank paid Rs.50 as noting charges. B then pays Rs.2,000 in cash and accepts a bill of exchange drawn on him for the balance together with Rs.50 as interest. This bill of exchange is for 2 months and on the due date the bill was honoured.

**Draft journal entries in the books of all the parties.**

20. On 01.04.2017 Arjun drew a three months bill on Sunitha for Rs.5000. Sunitha accepted the same. On the due date Sunitha approached Arjun to cancel original bill and to renew the bill for a period of one month for which Sunitha paid an interest Rs.200 and Arjun renewed the bill. On the due date the bill was met.

**Pass necessary journal entries in the books of Arjun and Sunitha.**

21. X Sold goods to Y for Rs.2,400 on 01.01.2017. He draws three bills of exchange on Y. The first bill for Rs.600 at 2 months, the second for Rs.1,000 at three months and the third for Rs.800 for 4 months. Y accepts all the bills.

The First bill is endorsed by X to M. The second and third bills are discounted in the bank for Rs.990 and Rs.785 respectively. The third bill is dishonoured and noting charges paid amounted to Rs.20

on 4<sup>th</sup> May 2017. A fresh bill was drawn on Y for Rs.840 (including interest Rs.20 for 3 months). The bill was honoured on the due date

**Show the journal entries in the books of X and Y**

**PRACTICAL ORIENTED QUESTIONS :-**

1. Prepare a specimen of bill of exchange.
2. Prepare a specimen of promissory note.

## **Chapter - 9**

## Financial Statements - I

### Section-B: Short Answer Questions for Two Marks:-

1. What do you mean by Closing Entries ?
2. What is Capital Expenditure ?
3. Give two examples of Capital Expenditure.
4. Give the meaning of Gross Profit.
5. State two basic objectives of preparing Financial Statements ?
6. Why do you prepare Trading and Profit and loss Account ?
7. What do you mean by 'Cost of goods sold' ?
8. What is Capital Receipt ?
9. Give two examples of Capital Receipt.
10. What is revenue receipt ?
11. State any two distinction between capital receipts and revenue receipts.
12. State any two distinction between capital expenditure and revenue expenditure.
13. What do you mean by Revenue Expenditure ?
14. What is meant by Marshalling of Assets and Liabilities in the Balance Sheet.
15. State any two differences between Profit & Loss A/c and Balance Sheet.
16. What is Operating Profit ?
17. What is deferred revenue expenditure ?
18. What statements are mainly included in Financial Statements ?
19. Give two examples for deferred revenue expenditure.
20. Give two examples for revenue expenditure.

### Section-C: Six Marks Questions/Short Problems:-

1. Compute cost of goods sold for the year 2016-17 with the help of the following information.

	Rs.
Stock on 1st April, 2015	3,00,000
Stock on 31st March, 2016	4,00,000
Purchases during the year	15,00,000
Sales during the year	20,00,000
Wages	1,20,000

- 2) From the following balances obtained from the records of Mr. Shankar, Prepare the Trading Account for the year ending 31st March 2016.

	Rs.
Opening Stock	2,00,000
Purchases for the year	20,00,000
Sales for the year	35,00,000
Carriage inwards	10,000
Closing stock is valued	5,00,000

- 3) From the following balances of Sri Narayan, prepare Trading Account for the year ended 31-3-2016.

	Rs.		Rs.
Cash purchases	10,000	Credit purchases	2,00,000



Cash sales	1,00,000	Credit Sales	2,20,000
Freight charges	10,000	Carriage inwards	2,000
Import duty	15,000	Stock on 31-3-2016	25,000
Stock 1.4.2015	30,000	Wages	5,000

- 4) Prepare a Trading Account of Naveen from the following information for the year ending March 31, 2016.

	Rs.		Rs.
Opening stock	1,30,000	Factory rent	40,000
Purchases	6,50,000	Dock & clearing charges	95,000
Sales	15,00,000	Freight	15,000
Coal, gas & water	20,000	Closing stock	50,000
Carriage inwards	25,000	Import duty	10,000

- 5) From the following information, calculate Gross Profit and Operating profit for the year ending 31st March 2016.

	Rs.
Opening Stock	1,00,000
Net Sales	24,00,000
Net Purchases	12,00,000
Direct expenses	1,20,000
Operating expenses	2,20,000
Closing Stock	1,40,000

- 6) From the following particulars, prepare a Profit and Loss A/c for the year ending 31st March 2016.

	Rs.		Rs.
Gross Profit	1,20,000	Salaries	20,000
Rents & Taxes	8,000	Insurance premium	2,000
Printing, Stationery & Postage	600	Advertisement	1,400
Office lighting	1,000	Depreciation on fixed asset	1,000
General expenses	600	Discount received	200

- 7) Prepare Profit & Loss A/c of Ramesh for the year ending 31st March 2016.

	Rs.		Rs.
Gross Profit	1,30,000	Salaries	45,000
Rent & taxes	3,000	Printing & Stationery	5,000
Insurance	1,000	Depreciation on fixed assets	6,000
Bad debts	1,500	Discount received	4,500
Audit fees	400	Rent received	1,500

- 8) Prepare a Profit and Loss A/c for the year ending 31-3-2016 of Srinivas.

	Rs.		Rs.
Gross Loss	8,000	Rent received	64,000
General expenses	2,000	Bad debts recovered	3,000

Repairs & renewals	1,000	Salaries	12,000
Audit fees	1,000	Discount allowed	2,000
Depreciation	6,000	Advertisement	4,000

9) Prepare a Balance Sheet of Mr. Narahari as on 31-3-2016.

	Rs.		Rs.
Capital	50,000	Drawings	10,000
Land & Building	20,000	Machinery	20,000
Furniture	10,000	Bills receivable	5,000
Cash in hand	5,000	Bank OD	6,000
Sundry creditors	10,000	Closing stock	11,000
Bank loan	10,000	Net Profit	5,000

10) Prepare a Balance sheet as on 31-3-2016 of Sunil.

	Rs.		Rs.
Capital	14,000	Loan from bank	4,000
Creditors	2,400	Cash in hand	600
Plant & Machinery	7,520	Sundry Debtors	6,700
Drawings	2,000	Closing stock	9,160
Net Profit	5,580	Bank OD	16,000
Loan from Shankar	4,000	Investments	20,000

**PRACTICAL ORIENTED QUESTIONS :-**

1. Prepare Trading A/c with five imaginary figures.
2. Prepare Balance Sheet with five imaginary figures.

## Chapter - 10

### Financial Statements

#### A. Section-A: One Mark Questions:

**I: Fill in the blanks:-**

1. Closing stock is valued at \_\_\_\_\_ price whichever is less.
2. Trading Account is prepared to ascertain \_\_\_\_\_
3. Profit and loss Account is disclosed \_\_\_\_\_ of the business.
4. Balance sheet shows \_\_\_\_\_ of the business enterprise.
5. Assets-Capital = \_\_\_\_\_
6. Decreasing in the value of fixed assets is called \_\_\_\_\_
7. Bad debts recovered is recorded in \_\_\_\_\_ Account.
8. Patent is a \_\_\_\_\_ Asset.
9. Profit on sale of fixed asset is known as \_\_\_\_\_
10. Provision for discount on debtors is calculated at a certain percentage on amount of \_\_\_\_\_ debtors.
11. The expenses paid which are related to the next year are called \_\_\_\_\_
12. The expenses incurred but not paid upto the end of financial year are called as \_\_\_\_\_

**II: Multiple Choice Questions:-**

1. Closing stock is value of .....  
a) Cost price    b) Market price  
c) Sales price    d) Cost price or Market price whichever is lower
2. Opening Stock appearing in the trail Balance will be shown in .....  
a) Trading account    b) Profit and Loss account  
c) Balance sheet    d) Trading A/c and also in Balance sheet
3. Stock appearing outside the trail balance will be shown in ...  
a) Trading account    b) Balance sheet  
c) Trading A/c and Balance Sheet    d) Profit and Loss account
4. Liabilities have ..... balance  
a) Debit    b) Credit  
c) Either debit or credit    d) No balance
5. Net Loss is ..... of the business  
a) A Liability    b) An Asset  
c) An Expense    d) An extraordinary loss
6. Capital is the difference between .....  
a) Income and Expenses    b) Sales and cost of goods sold  
c) Assets and liabilities    d) none of the above
7. Interest on capital is ..... for the business.  
a) Revenue    b) Expenses  
c) Gain    d) None of the above
8. Sales tax(GST) payable is a .....  
a) Current asset    b) Capital account  
c) Expenses account    d) Liability account

9. Where do you show the Bad debts given in the Trail Balance at the time of preparation of Financial Statements?
- a) Trading A/c
  - b) Profit and Loss A/c
  - c) Balance Sheet
  - d) None of the above
10. In which account do you show the depreciation given in the Trail Balance at the time of preparation of Financial Statements?
- a) Profit and Loss account
  - b) Trading Account
  - c) Balance Sheet
  - d) None of the above
11. Bank overdraft is shown as a .....
- a) Liability
  - b) Contingent
  - c) Unsecured Loan
  - d) Provision
12. Full claim accepted by Insurance Company on the Loss of goods by fire is credited to ..... A/c
- a) Trading A/c
  - b) Profit and Loss A/c
  - c) Insurance Company A/c
  - d) None of the above
13. A surplus of revenue over its cost is known as ..... of the business
- a) Capital
  - b) Profit
  - c) Asset
  - d) None of the above
14. Net profit is equal to ...
- a) Sales - cost of goods sold
  - b) Sales - closing stock + purchases
  - c) Opening stock + purchases - closing stock
  - d) Gross profit - Administrative and selling expenses
15. Which one show the financial results of the concern for a period
- a) Trading A/c
  - b) Profit and Loss A/c
  - c) Balance Sheet
  - d) None of the above
16. Which of the following is not an intangible asset?
- a) Account Receivable
  - b) Trade mark
  - c) Franchise
  - d) Good will

### III: True or False:-

1. Prepaid expenses are assets of the business.
2. Unearned income is the liability of the business.
3. Accrued income or income due but not received are two different things.
4. Unearned income means income received in advance.
5. Outstanding expenses account is a liability account.
6. Provision for discount on debtor is created only on good debtors.
7. Bad debts are recoverable from the debtors.
8. Depreciation is the decline in the value of fixed assets due to wear and tear, passage of time etc.,
9. Interest on drawings is an expense for the business.
10. The statement of assets and liabilities is balance sheet.

11. Balance sheet discloses financial position of the business.
12. A person to whom the business owes is called Debtors.
13. Provision for discount on debtors can be estimated only after computing the provision for doubtful debts.
14. Balance sheet is a account.
15. Life insurance premium is treated as business expenses.

#### **IV: Very Short Answer Questions:-**

1. Give the meaning of adjustment?
2. State any one adjustment?
3. What is closing stock?
4. What is Outstanding expenses?
5. On which side of the balance sheet, Prepaid expenses are shown?
6. Give the meaning of prepaid expenses?
8. What is meant by an Accrued income?
9. What is meant by Interest on capital?
10. Give the meaning of Provision for doubtful debts?
11. Write the meaning of Provision for discount on debtors?
12. What is Bad debts?
13. What is unearned income (Income received in advance)?
14. How do you treat, Provision for discount on debtors given in adjustments while preparing Financial statements?
15. How will you treat accrued income given in adjustments while preparing financial statements?
16. What adjustment entry would you pass for depreciation?
17. How will you treat interest on capital in the financial statements?
18. Give the adjustment entry for interest on drawings?
19. How will you calculate commission payable to manager on profit before charging of such commission?
20. State any one example for Current Asset.

#### **Section-D: Twelve Marks Problems.**

1. From the following Trail Balance, prepare trading and profit and loss account for the year ending 31-3-2016 and the Balance Sheet as on that date.

<b>Name of the Account</b>	<b>Debit (Rs)</b>	<b>Credit (RS)</b>
Capital		30,000
Drawings	1,760	
Purchases and Sales	8,900	15,000
Stock (on 1-4-2015)	1,200	
Returns	280	450
Wages	800	
Buildings	22,000	
Freight charges	2,000	
Trade expenses	200	
Advertisement	240	
Interest		650
Taxes and Insurance	430	
Debtors and Creditors	6,500	1,200
Bills receivable and bills payable	1,500	700
Cash at bank	1,200	
Cash in hand	190	
Salaries	800	
<b>Total</b>	<b>48,000</b>	<b>48,000</b>

**Adjustments:**

1. Stock on 31-3-2016 was valued at Rs 10,000.
2. Insurance prepared to the extent of Rs 100.
3. Outstanding salaries Rs 200.
4. Depreciate buildings by 5%.
5. Provide PDD at 5% on debtors.

**(Ans: Gross Profit Rs 12,270. Net Profit Rs 9,725. Balance Sheet Total Rs 40,065)**

2. From the following Trail Balance, prepare financial statements for the year ended march 31<sup>st</sup> 2017.

<b>Debit Balances</b>	<b>Rs.</b>	<b>Credit Balances</b>	<b>Rs.</b>
Machinery	8,000	Capital	18,000
Cash at Bank	2,000	Sales	32,000
Cash in hand	1,000	Sundry Creditors	9,000
Wages	2,000	Commission received	600
Purchases	16,000		
Stock on 1-4-2016	12,000		
Sundry Debtors	8,800		
Bills Receivable	5,800		
Rent	900		
Legal expense	500		

General expenses	1,600		
Bad debts	1,000		
<b>Total</b>	<b>59,600</b>	<b>Total</b>	<b>59,600</b>

**Adjustments:**

1. Stock on 31-3-2017 Rs 16,000.
2. Depreciate machinery at 10%
3. Rent prepaid Rs 200.
4. Provide PDD at 5% on sundry debtors.
5. Commission received in advance Rs 400.

**(Ans: Gross Profit Rs 18,000. Net Profit Rs 13,160. Balance Sheet Total Rs 40,560)**

3. Prepare the Trading and Profit and Loss Account and a Balance Sheet of M/s Shine Ltd, from the following particulars.

<b>Account Title</b>	<b>Rs</b>	<b>Account title</b>	<b>Rs</b>
Sundry debtors	21,000	Bills Payables	18,000
Bad debts	2,000	Sundry Creditors	10,000
Printing and stationary	4,000	Return outwards	5,000
Freight	3,000	Capital	1,00,000
Sales returns	2,000	Sales	1,22,000
Motor car	20,000	Discount received	1,000
Opening stock	25,000	Interest received	8,000
Furniture and fixtures	15,000		
Purchases	75,000		
Drawings	10,000		
Cash in hand	7,000		
Investments	80,000		
<b>Total</b>	<b>2,64,000</b>		<b>2,64,000</b>

**Adjustments:**

1. Closing stock was valued at Rs 30,000.
2. Further bad debts Rs 1,000. Make a provision for bad debts at 5% on sundry.
3. Depreciate motor car by 10% and furniture and fixture by 5%.
4. Accrued interest on investments Rs 2,000.
5. Provide interest on capital at 5%.

**(Ans: Gross Profit Rs 52,000. Net Profit Rs 47,250. Balance Sheet Total Rs 1,70,250)**

4. The following balances have been extracted from the Trial Balance of M/s Kolkata Stores, Davanagere. You are required to prepare the Trading and Profit and Loss account for the year ended 31/3/2016 and prepare Balance Sheet on that date.

Debit balance	Rs.	Credit balance	Rs.
Opening stock	20,000	Capital	64,000
Furniture	10,000	Sales	1,10,000
Drawings on 1/4/2015	10,000	Bank overdraft	10,000
Purchases	95,000	Bad debts provision	5,000
Bad debts	2,000	Bills Payable	6,000
Carriage	5,000	Apprenticeship premium	2,000
Bank deposit	15,000		
Bank charges	1,000		
Coal, gas and water	8,000		
Trade expenses	4,000		
Rent, rates and taxes	7,000		
Debtors	20,000		
<b>Total</b>	<b>1,97,000</b>	<b>Total</b>	<b>1,97,000</b>

**Adjustments:**

1. Closing stock Rs 10000.
2. Further bad debts Rs 2000. New Provision at 5% on debtors and discount on debtors at 3%.
3. Interest on drawings at 6%.
4. Depreciate furniture at 10% .
5. Apprenticeship premium received in advance Rs 500.

**(Ans: Gross Profit Rs 8,000. Net Loss Rs 19,673. Balance Sheet Total Rs 50,227)**

- 5.** The following were the balance extracted from the books of Ramesh Traders as on march 31<sup>st</sup> 2016.

Name of the accounts	Debit balance (Rs)	Credit balance (Rs)
Purchases and Sales	50,000	1,23,000
Returns	3,000	2,000
Debtors and Creditors	32,000	9,000
Fuel and power	8,000	
Carriage on purchases	2,000	
Carriage on sales	5,000	
Opening Stock	14,000	
Freehold Land	30,000	
Machinery	25,000	
Patents	15,000	
Drawings and capitals	12,000	95,000



Sundry and expenses	3,000	
Salaries	7,000	
Bills Receivable and Bills Payable	13,500	5,000
Repair and Renewals	14,500	
<b>Total</b>	<b>2,34,000</b>	<b>2,34,000</b>

Taking in to account the following adjustments prepare Trading and Profit and Loss Account and Balance Sheet on march 31<sup>st</sup> 2016.

1. Closing stock Rs 30,000.
2. o/s salaries Rs 500.
3. Interest on drawings at 6%.
4. Depreciate machinery at 10%.
5. Provide for the manager commission at 5% on net profit after charging such commission.

**(Ans: Gross Profit Rs 78,000. Net Profit Rs 44,019. Balance Sheet Total Rs 1,43,000)**

- 6.** From the following Trial Balance of Shri Narendra, Prepare his Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March 2017, and Balance Sheet as that date.

<b>Name of the accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Opening stock	36,000	
Purchases and sales	204,000	3,26,000
Drawing and capital	24,000	1,25,000
Carriage outwards	8,000	
Bills Receivable and bills payable	18,000	20,000
Investments	10,000	
Salaries	38,000	
Wages	33,000	
Sundry debtors and creditors	40,000	50,000
Buildings	50,000	
Insurance and taxes	8,000	
Commission		7,000
Returns	6,000	4,000
Plant and machinery	60,000	
Cash and bank	17,000	
Bank over draft		20,000
<b>Total</b>	<b>5,52,000</b>	<b>5,52,000</b>

**Adjustments:**

1. Closing stock valued at Rs 52,000.
2. Outstanding Expenses: Interest on bank over draft Rs 1,000 and salary Rs 2,000.
3. Commission accrued Rs 1,000.
4. Depreciate plant and machinery by 10%.
5. Provide discount on debtors at 5%.

**(Ans: Gross Profit Rs 1,03,000. Net Profit Rs 45,000. Balance Sheet Total Rs 2,39,000)**

7. Prepare Financial Statements for the year ending March 31<sup>st</sup> 2016, from the Trail Balance and adjustments given below.

**Trail balance as on 31-3-2016.**

<b>Name of accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Drawings and capital	5,000	30,000
Opening Stock	13,200	
Purchases and sales	40,000	60,000
Debtors and creditors	10,000	8,500
Salary	500	
Bad debits	300	
Printing and stationary	1,200	
Wages	1,000	
Postage	800	
Bills Receivables and Bills Payables	3,000	3,000
Furniture	7,500	
Cash in hand	1,500	
Bank overdraft		2,000
Machinery	18,000	
Commission received		1,500
Advertisement	3,000	
<b>Total</b>	<b>1,05,000</b>	<b>1,05,000</b>

**Adjustments:**

1. Closing stock Rs 10,300.
2. Depreciate machinery at 5% and furniture at 10%.
3. Create provision for doubtful debts at 5% on debtors and discount on debtors at 2%.
4. Interest on capital at 5%.
5. Provide for the manager commission at 10% on net profit before charging such commission.

**(Ans: Gross Profit Rs 16,100. Net Profit Rs 7,164. Balance Sheet Total Rs 47,960)**

8. From the following Trail Balance of Shri Krishna, prepare his Trading and Profit and Loss Account for the ended 31/12/2016 and Balance Sheet as on that date.

<b>Name of the accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Commission received		3,000
Cash at bank	3,500	
Purchases and Sales	41,000	99,000
Returns	4,000	1,000

Wages	12,500	
Carriage inward	2,000	
Carriage on sales	3,500	
Opening stock	6,000	
Buildings	40,000	
Machinery	20,000	
Capital		60,000
Salary	15,000	
Sundry debtors and creditors	22,500	8,000
General expenses	3,000	
Insurance	2,000	
Rent received		5,000
Drawings	5,000	
Provision for doubtful debts		4,000
<b>Total</b>	<b>1,80,000</b>	<b>1,80,000</b>

**Adjustments:**

1. Outstanding salary for the month of December 2016, Rs 1,000.
2. Rent due but not received Rs 2,000.
3. Further bad debts Rs 1,000 and make for doubtful debts at 5% on debtors.
4. Stock was valued on 31/12/2016, Rs 7,000.
5. Depreciate machinery at 10% and building by 5%.

**(Ans: Gross Profit Rs 41,500. Net Profit Rs 24,925, Balance Sheet Total 88,925)**

**9. Prepare the Trading and Profit and Loss Account and Balance**

Sheet of the M/s Natural Device Bengaluru on march 31<sup>st</sup>, 2017 from the following balances as on that date.

<b>Account Title</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Drawings and Capital	19,530	67,500
Purchases and Sales	45,000	1,12,500
Salary and Commission	25,470	1,575
Wages	13,915	
Plant and Machinery	27,000	
Furniture	6,750	
Opening Stock	42,300	
Insurance premium	2,700	
Interest		7,425
Bank over draft		24,660
Carriage outwards	3,645	
Returns	2,385	1,440
Debtors and creditors	36,000	58,500
General expenses	6,925	
Octroi	530	
Investments	41,400	
<b>Total</b>	<b>2,73,600</b>	<b>2,73,600</b>

**Adjustments:**

1. Interest on capital at 10%.
2. Interest on drawings at 5%.
3. Outstanding Expenses were: Wages Rs 50. Salary Rs 20.
4. Make provision for doubtful debts on debtors at 5%.
5. Depreciate plant and machinery at 5%.

**(Ans: Gross Profit Rs 29,700. Net Loss Rs 8,973. Balance Sheet Total 1,28,000)**

- 10.** Prepare the Trading and Profit and Loss Account and Balance Sheet of Naveen Traders, Raichur from the following particulars.

**Trial balance as on 31/3/2017**

<b>Account Title</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Sundry Debtors and Creditors	100,000	25,000
Bad debts	3,000	
Printing and Stationery	7,500	
Rent ,Rates and Taxes	3,450	
Freight	2,250	
Returns	6,000	4,500
Motor car	25,000	
Openings Stock	75,550	
Furniture	15,500	
Purchases and Sales	75,000	1,00,000
Drawings and Capital	13,560	2,50,000
Investments	65,500	
Cash at Bank	89,000	
Bills Payable		85,550
Provision for bad debts		1,500
Interest Received		11,260
Discount Received		3,500
<b>Total</b>	<b>4,81,310</b>	<b>4,81,310</b>

**Adjustments:**

1. Closing stock was valued Rs 35,000.
2. Depreciate furniture at 5% and motor car at 10%.
3. Further bad debts Rs 1,000 make a provision for bad debts at 2%.
4. Interest on drawing at 6%.
5. O/S Rent,Rate and Taxes Rs 200.

**(Ans: Gross Profit Rs 17,050. Net Loss Rs 27,344. Balance Sheet Total Rs 3,19,032)**

- 11.** From the following Trail Balance of a Trader, prepare Trading and Profit and Loss Account for the year ending 31/3/2017 and Balance Sheet as on that date.

<b>Name of the Accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Capital		20,000
Drawings	1,700	
Machinery	12,000	
Scooter	2,600	
Debtors and Creditors	3,600	2,600
Purchases and Sales	2,000	4,200
Wages	800	
Cash	2,600	
Salaries	800	
Repairs	190	
Stock on 1/4/2016	1,600	
Rent	450	
Manufacturing Expenses	150	
Bills Payable		2,350
Bad debts	500	
Carriage on Sales	160	
<b>Total</b>	<b>29,150</b>	<b>29,150</b>

**Adjustments :**

1. Closing stock as on 31/3/2017 Rs 1,600.
2. Depreciate machinery by 10% and scooter by 15%.
3. Rs 150 are due for wages.
4. Paid rent Rs 50 in advance.

**(Ans: Gross Profit Rs 1,100. Net Loss Rs 2,540 . Balance Sheet Total Rs 20,860)**

- 12.** From the following Trial Balance of Mahesh as on 31/3/2017, prepare Financial Statements

<b>Name of the accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Capital		1,20,000
Drawings	15,000	
Bills Receivable	22,000	
Machinery	20,000	
Debtors and Creditors	60,000	58,000
Wages	39,000	
Purchases and Sales	2,52,000	3,55,000

Commission		5,500
Rent and Taxes	6,000	
Stock on 1/4/2016	90,000	
Salaries	10,500	
Travelling expenses	2,000	
Insurance	600	
Repairs	3,400	
Bad debts	3,500	
Furniture	9,000	
Returns	5,000	2,000
Cash in Hand	500	
Cash at Bank	2,000	
<b>Total</b>	<b>5,40,500</b>	<b>5,40,500</b>

**Adjustments:**

1. Stock on hand on 31/3/2017 was Rs 1,00,000.
2. Create 5% provision on debtors.
3. Commission earned but not received Rs 500.
4. O/S wages 1000 Rs and salaries Rs 1,500 .
5. Depreciate machinery by 5% and furniture by 10%.

**(Ans: Gross Profit Rs 70,000. Net Profit Rs 43,500. Balance Sheet Total 1,48,700)**

**13.** From the following Trail Balance prepare a Trading, Profit and Loss Account and Balance Sheet after taking into account the adjustments given here under.

1. Stock as on 31/12/2016 was valued at Rs 18,400.
2. Write further bad debts Rs 300 and provision for doubtful debts at 5% on debtors.
3. Outstanding expenses were Rent Rs 200 and salaries Rs 500 .
4. Unexpired insurance amounted to Rs 400.
5. Depreciate plant and machinery by 5% and furniture and fittings by 10%.

**Trail balance as at 31/12/2016.**

<b>Name of the Accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Drawings and Capital	9,000	40,000
10% investments	10,000	
Interest on Investment		900
Opening Stock	14,000	
Purchases and Sales	65,000	96,500
Carriage	1,400	
Return Inwards	1,500	
Sundry Debtors and Creditors	10,300	8,000
B/R and B/P	5,000	6,600
Salaries	7,000	

Wages	4,000	
Plant and Machinery	12,000	
Furniture and Fittings	4,000	
Trade expenses	700	
Rent, Taxes and Insurance	2,300	
Discount	200	
Cash in Hand	600	
Cash at Bank	4,600	
Bad debts	400	
<b>Total</b>	<b>1,52,000</b>	<b>1,52,000</b>

**(Ans: Gross Profit Rs 29,000. Net Profit Rs 17,300. Balance Sheet Total Rs 63,600)**

**14.** From the following Trail Balance of Sri Chandan Traders Mysore, prepare the Financial Statements for the year ending 31/12/2016.

<b>Name of the Accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Capital		25,000
Drawings	2,500	
Land and Buildings	5,000	
Plant and Machinery	3,000	
Purchases and Sales	40,000	50,000
Returns	5,000	4,000
Stock on 1/1/2016	7,500	
Furniture	5,000	
Salaries	1,150	
Insurance	200	
Debtors and Creditors	7,600	5,500
B/R and B/P	2,400	2,000
Commission		300
Interest		100
Carriage Inwards	300	
Wages	1,200	
Investments	2,000	
Printing and Stationary	800	
Cash in Hand	3,250	
<b>Total</b>	<b>86,900</b>	<b>86,900</b>

**Adjustments:**

1. Closing stock was valued at Rs 13,000.
2. O/S Liabilities were: wages Rs 400 and salaries Rs 500.
3. Insurance was prepaid to the extent of Rs 50.
4. Depreciate land and building at 5% and plant and machinery at 10%.
5. Make provision for doubtful debts at 5% on debtors.

**(Ans: Gross Profit Rs 12,600. Net Profit Rs 9,470. Balance Sheet Total Rs 40,370)**

- 15.** From the following particulars of Ledger Balances of Sri Vignesh a retailer, Bagalkot for the year ending 31/12/2016 Prepare the Trading and Profit and Loss account and Balance Sheet as on that date.

**Trail Balance as on 31/12/2016.**

<b>Name of the accounts</b>	<b>Debit (Rs)</b>	<b>Credit (Rs)</b>
Capitals		30,000
Drawings	2,500	
Reserve		2,000
Sundry Debtors and Creditors	40,000	25,000
Purchases	75,000	
Sales		135,000
Stock on 1/1/2016	30,000	
Purchase Return		2,000
Sales Return	3,000	
Commission		1,000
Bills Payables		10,000
Salaries	7,500	
Advertisement	1,000	
Bad Debts	300	
Rent	800	
Land and Building	25,000	
Furniture	5,000	
Govt Securities	10,000	
Cash at Bank	4,900	
<b>Total</b>	<b>2,05,000</b>	<b>2,05,000</b>

**Adjustments:**

1. Stock on 31/12/2016 Rs 20,000.
2. Interest at 5% on Govt securities earned but not received
3. Depreciate land and building at 2% and furniture at 10%
4. O/S salaries Rs 500.
5. Make provision for doubtful debts at 2% on debtors.

**(Ans: Gross Profit Rs 49,000. Net Profit Rs 38,600. Balance Sheet Total 1,03,600)**