

CBSE Test Paper 03
Ch-9 Financial Statements-I Sole Proprietorship

1. Is it true that profit and loss account is a point statement whereas a balance sheet is a period statement?
2. Opening stock Rs. 30,000, purchases Rs. 54,600, expenses on purchases Rs. 6,000, sales Rs. 90,000, expenses on sales Rs. 3,000, closing stock Rs. 36,600, calculate cost of goods sold and gross profit.
3. Is it true that profit and loss account shows the financial position of the enterprise?
4. Mention any one difference between fixed assets and current assets.
5. Operating profit earned by M/s Arora & Sachdeva in 2013-14 was Rs. 17,00,000. Its non-operating incomes were Rs. 1,50,000 and non-operating expenses were Rs. 3,75,000. Calculate the amount of net profit earned by the firm.
6. From the following information, prepare trading account for the year ended 31st March, 2013

	Amt (Rs.)
Cost of goods sold	45,00,000
Sales	72,00,000
Closing Stock	2,40,000

7. Following balances appeared in the trial balance of a firm as on 31 st March, 2013

		Amt (Rs.)
Opening stock	Raw material	80,000
	Finished goods	1,40,000
Purchases		3,60,000
Sales		7,00,000
Returns	Purchases	10,000

	Sales	6,000
Wages		1,30,000
Factory expenses		90,000
Freight	Inward	20,000
	Outwards	30,000

At the end of the concerned period, the stocks at hand were

Raw materials	70,000
Work-in-process	20,000
Finished goods	1,10,000

Prepare the trading account of the firm.

8. From the following information, prepare a profit and loss account for the year ending 31st March, 2014.

	Amt (Rs.)
Gross profit	60,000
Rent	5,000
Salary	15,000
Commission paid	7,000
Interest paid on loan	5,000
Advertising	4,000
Discount received	3,000
Printings and stationery	2,000
Legal charges	5,000
Bad debts	1,000
Depreciation	2,000
Interest received	4,000
Loss by fire	3,000

9. From the balance sheet given below, calculate (i) fixed assets, (ii) current assets, (iii) current liabilities, (iv) working capital, (v) capital employed.

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Trade creditors	4,20,000	Freehold premises	4,00,000
Outstanding expenses	32,000	Plant and machinery	3,20,000
Bank overdraft	48,000	Furniture and fittings	80,000
Long-term loan	2,00,000	Stock	4,80,000
Interest accrued on long-term loan	10,000	Trade debtors	3,60,000
Capital	9,34,000	Prepaid insurance	4,000
	<u>16,44,000</u>		<u>16,44,000</u>

10. From the following balance, prepare the Trading and Profit and Loss Account and the Balance Sheet

Debit Balance	Rs.	Credit	Rs.
Machinery	3,50,000	Capital Account	10,00,000
Rent	45,000	Creditors	1,40,000
Debtors	2,70,000	Sales	14,50,000
Sundry Expenses	20,000		
Drawings	90,000		
Carriage	15,000		
Purchases	9,50,000		
Wages	5,00,000		
Bank	1,50,000		
Opening Stock	2,00,000		

Closing Stock was Rs.30,000.

CBSE Test Paper 03
Ch-9 Financial Statements-I Sole Proprietorship

Answer

1. No, this statement is not true as profit and loss a/c is periodic statement which is prepared for a particular period. balance sheet is also known as point statement because it is prepared at a particular date.
2. $\text{Cost of Goods Sold} = \text{Rs. } 30,000 + \text{Rs. } 54,600 + \text{Rs. } 6,000 - \text{Rs. } 36,600 = \text{Rs. } 54,000$
 $\text{Gross Profit} = \text{Net Sales} - \text{Cost of Goods Sold.}$
 $= \text{Rs. } 90,000 - \text{Rs. } 54,000 - \text{Rs. } 36,000$
3. No, it only shows the financial performance i.e., profit or loss of an enterprise for a particular period.
4. Fixed assets have an estimated life of more than a year while the current assets have an estimated life up to a year.
5. $\text{Operating Profit} = \text{Net Profit} + \text{Non-operating Expenses} - \text{Non-operating Income}$
 $\text{Operating profit (Given)} = 17,00,000$
 $\text{Non-operating income} = 1,50,000$
 $\text{Non-operating expenses} = 3,75,000$
Hence, $\text{Net profit} = 17,00,000 + 1,50,000 - 3,75,000 = \text{Rs. } 14,75,000.$

6. **Trading Account**

Dr			Cr
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To COGS	45,00,000	By sales	72,00,000
To Gross Profit T/f. to P&L A/c	27,00,000		
	<u>72,00,000</u>		<u>72,00,000</u>

7. **Trading Account**

for the year ended 31st March, 2013

Dr					Cr
Particulars		Amt (₹)	Particulars		Amt (₹)
To Opening Stock :			By Sales	7,00,000	
Raw Materials	80,000		Less : Sales Returns	<u>6,000</u>	6,94,000
Finished Goods	<u>1,40,000</u>	2,20,000	By Closing Stock :		
To Purchases	3,60,000		Raw Materials	70,000	
Less : Purchase Returns	<u>10,000</u>	3,50,000	Work-in-process	20,000	
To Wages		1,30,000	Finished Goods	<u>1,10,000</u>	2,00,000
To Factory Expenses		90,000			
To Freight Inwards		20,000			
To Gross Profit Transferred to Profit and Loss A/c		84,000			
		<u>8,94,000</u>			<u>8,94,000</u>

Note : Only freight inward will be debited to the Trading account. Freight outwards will be debited in the Profit & Loss account.

8. To prepare the Profit & Loss Account, all the Indirect expenses are charged from the Gross Profit. thus, the Profit & Loss Account will be prepared in the following manner :

Profit and Loss Account
for the year ended 31st March, 2014

--	--	--	--

Dr.			Cr.
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To Rent	5,000	By Gross Profit transferred from trading A/c	60,000
To Salary	15,000	By Discount Received	3,000
To Commission	7,000	By Interest Received	4,000
To Interest Paid on Loan	5,000		
To Advertising	4,000		
To Printing and Stationary	2,000		
To Legal Charges	5,000		
To Bad Debts	1,000		
To Depreciation	2,000		
To Loss by Fire	3,000		
To Net Profit Transferred to the capital A/c	18,000		
	<u>67,000</u>		<u>67,000</u>

9. 1. Calculation of Fixed Assets :

Fixed Assets = Premises + Plant and Machinery + Furniture and Fittings
= 4,00,000 + 3,20,000 + 80,000 = ₹ 8,00,000

2. Calculation of Current Assets:

Current Assets = Stock + Trade Debtors + Prepaid Insurance
= 4,80,000 + 3,60,000 + 4,000 = ₹8,44,000

3. Calculation of Current Liabilities:

Current Liabilities = Trade Creditors + Outstanding Expenses + Bank Overdraft +

Interest Accrued on Long-term Loan.

= 4,20,000 + 32,000 + 48,000 + 10,000

= ₹ 5,10,000

4. Calculation of Working Capital:

Working Capital = Current Assets - Current Liabilities

= 8,44,000 - 5,10,000

= ₹3,34,000

5. Calculation of Capital Employed:

Capital Employed = Capital + Long-term Loan

= 9,34,000 + 2,00,000

= ₹11,34,000

OR

= Fixed Assets + Working Capital

= 8,00,000 + 3,34,000 = ₹11,34,000

10.

TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended.....

Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,00,000	By Sales	14,50,000
To Purchases	9,50,000	By Closing Stock	30,000
To Wages	5,00,000	By Gross Loss c/d to P/L A/c	1,85,000
To Carriage	15,000		
Total	16,65,000	Total	16,65,000
To Gross Loss b/d	1,85,000	By Net Loss c/d to Capital A/c	2,50,000

To Rent	45,000		
To Sundry Expenses	20,000		
Total	2,50,000	Total	2,50,000

BALANCE SHEET

As on

Liabilities		Rs.	Assets	Rs.
Capital	10,00,000		Machinery	3,50,000
Less : Drawings	90,000		Closing Stock	30,000
Less : Net Loss	2,50,000	6,60,000	Debtors	2,70,000
Creditors		1,40,000	Bank	1,50,000
Total	8,00,000	8,00,000	Total	8,00,000

Profit & Loss account is prepared on the last day of the accounting year in order to determine the net result of the business. Only indirect expense and indirect revenue are shown in it.

Trading account is prepared by entities to know the profit of the business by the operating activities.

Balance sheet shows the financial position of the entity at a point of time.