

# PREPARATION OF FINAL ACCOUNTS OF SOLE PROPRIETORS SOLUTIONS

## **ANSWER TO Q.NO. 2**

**In the Books of M/s. ABC Traders**

**Profit and Loss Account for the year ended 31st March, 2016**

Particulars	Amount Rs.	Particulars	Amount Rs.
To Salaries	1,10,000	By Gross Profit	4,20,000
To Legal Charges	25,000	By Discount received	18,000
To Consultancy Fees	32,000		
To Audit Fees	1,000		
To Electricity Charges	17,000		
To Telephone, Postage & Telegrams	12,000		
To Stationery	27,000		
To Depreciation	65,000		
To Discount Allowed	19,000		
To Bad Debts	17,000		
To Interest	70,000		
To Net Profit	43,000		
	<b>4,38,000</b>		<b>4,38,000</b>



**Journal Proper in the Books of M/s. ABC Traders**

<b>Date</b>	<b>Particulars</b>		<b>Amount</b>	<b>Amount</b>
<b>2016</b>			<b>Rs.</b>	<b>Rs.</b>
March 31	Profit & Loss Account	Dr.	3,95,000	
	To Salaries A/c			1,10,000
	To Legal Charges A/c			25,000
	To Consultancy Fees A/c			32,000
	To Audit Fees A/c			1,000
	To Electricity Charges A/c			17,000
	To Telephone, Postage & Telegrams A/c			12,000
	To Stationery A/c			27,000
	To Depreciation A/c			65,000
	To Discount Allowed A/c			19,000
	To Bad Debts A/c			17,000
	To Interest A/c			70,000
	(Being the transfer of balances of various expenses accounts)			
	Discount Received A/c	Dr.	18,000	
	To Profit & Loss A/c			18,000
	(Being the transfer of discount received account balance)			
	Gross Profit A/c	Dr.	4,20,000	
	To Profit & Loss A/c			4,20,000
	(Being the transfer of gross profit from Trading Account)			
	Profit & Loss A/c	Dr.	43,000	
	To Net Profit A/c			43,000
	(Being the ascertainment of net profit)			
	Net Profit A/c	Dr.	43,000	
	To Capital A/c			43,000
	(Being the transfer of net profit to Capital A/c)			

### ANSWER TO Q.NO. 4

Date	Particulars	L.F.	Rs.	Rs.
2017				
Dec. 31	Trading Account	Dr.	30,20,000	
	To Inventory Account			2,00,000
	To Purchase A/c			18,20,000
	To Wages A/c			10,00,000
	(Being the accounts in the Trial Balance which have to be transferred to the Trading Account debit side)			
Dec. 31	Sales Account	Dr.	50,00,000	
	To Trading A/c			50,00,000
	(Being the amount of Sales transferred to the credit of Trading Account)			
Dec. 31	Inventory (Closing) A/c	Dr.	2,70,000	
	To Trading A/c			2,70,000
	(Being the value of Inventory on hand on 31st Dec. 2016)			
Dec. 31	Trading A/c	Dr.	22,50,000	
	To Profit and Loss A/c			22,50,000
	(Being the transfer of gross profit.)			
Dec. 31	Profit and Loss A/c	Dr.	16,50,000	
	To Discount Allowed Account			50,000
	To Salaries A/c			10,00,000
	To Sundry Office Expenses A/c			6,00,000
	(Being the various expense accounts transferred to the P & L Account)			
Dec. 31	Discount Received A/c	Dr.	30,000	
	To P & L Account			30,000
	(Being the credit balance of discount received transferred to Profit and Loss A/c)			
Dec.31	Profit and Loss A/c	Dr.	6,30,000	
	To Capital A/c			6,30,000
	(Being the transfer to Net Profit to the Capital Account)			
			<b>1,28,50,000</b>	<b>1,28,50,000</b>



**Trading Account of the year ended December 31, 2017**

<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Inventory A/c	2,00,000	By Sales A/c	50,00,000
To Purchases	18,20,000	By Inventory (Closing)	2,70,000
To Wages	10,00,000		
To Gross profit transferred. to P & L A/c	22,50,000		
	<b>52,70,000</b>		<b>52,70,000</b>

**Profit and Loss Account for the year ended December 31, 2017**

<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Salaries	10,00,000	By Gross profit transferred. From the Trading Account	22,50,000
To Discount Allowed	50,000	By Discount Received	30,000
To Sundry Office Expenses	6,00,000		
To Net Profit transferred to Capital A/c	6,30,000		
	<b>22,80,000</b>		<b>22,80,000</b>



### ANSWER TO Q.NO. 5

#### Trading Account for the year ended 31<sup>st</sup> March

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To opening Stock A/c	10,000	By Sales A/c	2,00,000
To Purchases A/c	2,00,000	Less: Returns	5,000
Less: Returns	2,500	By Closing Stock A/c	20,000
To Carriage Inwards A/c	1,500	By Gross Loss transferred to Profit and Loss A/c	7,500
To Freight inwards A/c	2,500		
To Clearing Charges A/c	11,000		
	<b><u>2,22,500</u></b>		<b><u>2,22,500</u></b>

**Note:** Carriage Outwards will be charged to the Profit and Loss Account.

### ANSWER TO Q.NO. 6

#### Trading Account for the year ended 31<sup>st</sup> March

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock A/c	1,50,000	By Sales A/c:	
To Purchase A/c		Cash Sales	1,60,000
Cash Purchases	1,50,000	Credit Sales	11,00,000
Credit Purchases	9,00,000		12,60,000
	10,50,000	Less: Return Inwards	20,000
Less: Returns Outward	10,000	By Closing Stock A/c (Valued at cost or market value whichever is less)	84,000
To Freight Inwards A/c	3,000		
To Carriage Inwards A/c	3,000		
To Wages and Salaries A/c	4,000		
To Gross Profit tfd. to P & L A/c	1,24,000		
	<b><u>13,24,000</u></b>		<b><u>13,24,000</u></b>



### ANSWER TO Q.NO. 7

#### Trading and Profit and Loss Account of Mr. X

For the year ended 31<sup>st</sup> March, 2012

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock Account	40,000	By Sales Account	1,27,500
		Less: Returns	2,000
			1,25,500
To Purchases Account	60,000	By Closing Stock Account	35,000
Less: Returns	1,275		
	58,725		
To wages Account	10,000		
To Freight Inwards Account	1,000		
To Gross Profit c/d	50,775		
	<b><u>1,60,500</u></b>		<b><u>1,60,500</u></b>
To Discount Allowed Account	450	By Gross Profit b/d	50,775
To Salaries Account	7,000	By Discount Received Account	800
To Freight outwards Account	1,200		
To Rent, Rates and Taxes Account	2,000		
To Advertisements Account	2,000		
To Net profit transferred to Capital Account	38,925		
	<b><u>51,575</u></b>		<b><u>51,575</u></b>

#### Balance Sheet

As at 31<sup>st</sup> March, 2012

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	25,000	Cash at Bank	7,000
Capital:		Sundry Debtors	45,000
Opening Balance	1,13,075	Closing Stock	35,000
Add: Net Profit	38,925	Plant and Machinery	90,000
	<b><u>1,77,000</u></b>		<b><u>1,77,000</u></b>



**ANSWER TO Q.NO. 8**  
**In the books of Mr. Mohan**  
**Trading Account for the year ended 31<sup>st</sup> March**

Particulars		Amount	Particulars		Amount
To Opening Inventory		1,10,000	By Sales	9,70,000	
To Purchases	4,30,000		Less: Returns	(20,000)	9,50,000
Less: Returns	(12,000)	4,18,000	By Closing Inventory		1,80,000
To Freight Inwards		40,000			
To Gross profit		5,62,000			
		<b>11,30,000</b>			

**Profit and Loss Account for the year ended 31<sup>st</sup> March**

Particulars	Rs.	Particulars	Rs.
To Depreciation	35,000	By Gross profit	5,62,000
To Salaries	2,10,000	By Discount received	9,000
To Administration expenses	1,50,000		
To Discount allowed	19,000		
To Bad debts	5,000		
To Net profit	1,52,000		
	5,71,000		5,71,000

**Balance Sheet as on 31<sup>st</sup> March**

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Capital	6,50,00		Furniture	3,50,000	
Add: Net profit	1,52,000	8,02,000	Less: Depreciation	(35,000)	3,15,000
Trade payables		1,90,000	Closing Inventory		1,80,000
			Trade receivables		2,10,000
			Investment in Govt		
			Securities		1,00,000
			Cash in Hand and		
			Cash at Bank		1,87,000
		<b>9,92,000</b>			<b>9,92,000</b>



## ANSWER TO Q.NO. 10

### Books of C. Wanchoo

#### Trading Account for the year ended 31<sup>st</sup> March

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Stock Account	2,000	By Sales Account	50,000
To Purchases Account	15,000	By Closing Stock Account	2,700
To Wages Account	10,000		
To Fuel and Power Account	3,000		
To Factory Lighting Account	200		
To Gross Profit Transferred to Profit and Loss Account	22,500		
	<b><u>52,700</u></b>		<b><u>52,700</u></b>

#### Profit and Loss Account For the year ended 31<sup>st</sup> March

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Salaries Account	7,000	By Gross Profit	22,500
To Discount Allowed Account	500	By Discount Received Account	300
To Advertisement Account	5,000		
To Sundry Office Expenses Account	4,000		
To Net Profit	6,300		
	<b><u>22,800</u></b>		<b><u>22,800</u></b>





**ANSWER TO Q.NO. 11**

**In the books of Shri Mittal**

**Trading Account**

**for the year ended 31st March, 2017**

<b>Particulars</b>		<b>Amount</b>	<b>Particulars</b>		<b>Amount</b>
		<b>Rs.</b>			<b>Rs.</b>
To Opening inventory		72,000	By Sales	12,10,000	
			Less: Returns	(40,000)	11,70,000
To Purchases	6,05,000		By Closing inventory		1,00,000
Less: Returns	(30,000)	5,75,000			
To Gross Profit		6,23,000			
		<b><u>12,70,000</u></b>			<b><u>12,70,000</u></b>

**Profit and Loss Account**

**For the year ended 31st March, 2016**

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
	<b>Rs.</b>		<b>Rs.</b>
To Salaries	2,70,000	By Gross profit	6,23,000
To Advertisement	1,10,000		
To Other expenses	60,000		
To Net profit	1,83,000		
	<b><u>6,23,000</u></b>		<b><u>6,23,000</u></b>

**Balance Sheet as on 31st March, 2017**

<b>Liabilities</b>		<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
	<b>Rs.</b>	<b>Rs.</b>		<b>Rs.</b>
Capital	8,70,000		Building	8,90,000
Add: Net profit	1,83,000	10,53,000	Furniture	4,50,000
14% Bank Loan		2,00,000	Trade receivables	90,000
Trade payables		1,70,000	Closing inventory	1,00,000
Overdrafts		1,12,000	Cash in hand	5,000
		<b><u>15,35,000</u></b>		<b><u>15,35,000</u></b>

**Note:** As loan and overdraft taken at year end so no interest shown.



**ANSWER TO Q.NO. 12**  
**Trading and Profit and Loss Account**  
**for the year ending 31st March**

Particulars	Rs.	Particulars	Rs.
To Opening Inventory	5,00,000	By Sales	17,00,000
To Purchases	12,50,000	By Closing Inventory	10,00,000
To Wages	3,00,000		
To Gross Profit	6,50,000		
	<b>27,00,000</b>		
To Bad Debts	50,000	By Gross Profit	6,50,000
To Depreciation	1,50,000		
To Salaries	2,20,000		
To Net Profit transferred. to Capital A/c	2,30,000		
	<b>6,50,000</b>		<b>6,50,000</b>

**Balance Sheet as at 31st March**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Trade payables		9,00,000	Cash in Hand	5,60,000	
Capital:			Trade receivables	3,50,000	
Previous Balance	25,00,000		Closing Inventory	10,00,000	19,10,000
Add : Net Profit	2,30,000	27,30,000	Furniture & Fixtures	1,50,000	
			Plant & Machinery	15,70,000	17,20,000
		<b>36,30,000</b>			<b>36,30,000</b>



**ANSWER TO Q.NO. 13**  
**Trading and Profit and Loss Account**  
**For the year ended 31<sup>st</sup> March**

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock Account	9,600	By Sales Less Returns Account	24,900
To Purchase Less Returns Account	11,850	By Closing Stock Account	3,500
To Wages and Salaries Account	3,200		
To Commission on Purchases Account	200		
To Freight Account	300		
To Gross Profit c/d	3,250		
	<b><u>28,400</u></b>		<b><u>28,400</u></b>
To Trade Expenses Account	20	By Gross Profit b/d	3,250
To Rent Account	200	By Discount on Purchases Account	400
To Bad Debts Account	500		
To Repairs to Plant Account	160		
To Net Profit	2,770		
	<b><u>3,650</u></b>		<b><u>3,650</u></b>

**Balance Sheet of Mohan**  
**As at 31<sup>st</sup> March**

Liabilities	Rs.	Assets	Rs.
Capital:		Plant	2,000
Opening Balance	5,000	Stock at the end	3,500
Add: Net Profit	2,770		
Less: Income Tax	550		
Drawings	650		
	6,570		
Loan	900	Debtors	4,000
Bills Payable	500	Bills Receivable	600
Creditors	2,330	Cash in hand at Bank	200
	<b><u>10,300</u></b>		<b><u>10,300</u></b>



**ANSWER TO Q.NO. 14**

**In the Books of M/s Dayal Bros.**  
**Balance Sheet**  
**as on 31st March, 2017**

<b>Liabilities</b>		<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
	<b>Rs.</b>	<b>Rs.</b>		<b>Rs.</b>
Capital: Balances	7,00,000		Land & Building	3,00,000
Add: Net Profit	1,00,000			
Less: Drawings	(60,000)			
	8,00,000	7,40,000	Furniture	2,00,000
14% Term Loan		4,00,000	Inventories in Trade	6,00,000
Loan from M/s D & Co		4,60,000	Trade receivables	4,20,000
Trade payables		40,000	Advance to suppliers	1,00,000
			Cash in Hand	20,000
		<b><u>16,40,000</u></b>		<b><u>16,40,000</u></b>

**ANSWER TO Q.NO. 16**

**Books of Mr.Popatlal**  
**Opening entry**

			<b>(Dr.) Rs.</b>	<b>(Cr.) Rs.</b>
1.4.2017	Fixed Assets A/c	Dr.	1,25,600	
	Inventories A/c	Dr.	2,06,400	
	Trade receivables A/c	Dr.	1,88,000	
	Cash A/c	Dr.	36,200	
	To Trade payables A/c			1,64,000
	To Bank Overdraft A/c			1,46,000
	To Provision for Doubtful Debts A/c			6,200
	To Capital A/c			2,40,000



**ANSWER TO Q.NO. 19**

	Rs.
<b>(i) Salaries to be charged to profit and loss account for the year ended 31st December, 2016:</b>	
Salaries of 8 employees for 12 months @ Rs.33,000 p.m. each	31,68,000
Salaries of 2 trainees for 6 months @ Rs.21,000 p.m. each	2,52,000
	<b><u>34,20,000</u></b>
<b>(ii) Salaries actually paid in 2016</b>	
Salaries of 8 employees for January to November, 2016 paid in February-December, 2016 @ Rs.33,000 for 11 months	29,04,000
Salaries of 2 trainees for July to November paid in August to December @ Rs.21,000 for 5 months	2,10,000
December, 2015 salary paid in January, 2016 (8 employees x 30,000)	2,40,000
	<b><u>33,54,000</u></b>
<b>(iii) Outstanding salaries as at 31st December, 2016</b>	
8 employees @ Rs.33,000 each for 1 month	2,64,000
2 trainees @ Rs.21,000 each for 1 month	42,000
	<b><u>3,06,000</u></b>

**ANSWER TO Q.NO.20:**

**Calculation of Cost of Goods sold:**

Particulars	Rs.
Opening Stock	2,00,000
Add: Purchases (Closing stock already adjusted)*	10,00,000
	12,00,000

\*Since, closing stock appears in Trial Balance, it means following entry has already been passed in books:

Closing Stock A/c	Dr.	3,00,000	
To Purchases A/c			3,00,000

Therefore no more adjustment needs to be made on account of closing stock for computing Cost of goods sold (COGS).



**ANSWER TO Q.NO.21:**

The Opening Entry : 01-01-2017

		Dr.(Rs.)	Cr.(Rs.)
Cash A/c	Dr.	43,000	
Bank A/c	Dr.	2,67,500	
Trade receivables	Dr.	7,49,500	
Inventory A/c	Dr.	9,00,000	
Machinery and Equipment A/c	Dr.	6,00,000	
To Mahendra & Sons A/c			5,60,000
To Capital A/c			20,00,000
(Being the balances brought forward)			
		<b><u>25,60,000</u></b>	<b><u>25,60,000</u></b>

**ANSWER TO Q.NO.22:**

**i) Computation of Income for the year 2016-17:**

	Rs.
Money received during the year related to 2016-17	5,00,000
Add: Money received in advance during previous years	1,50,000
Total income of the year 2016-17	6,50,000

**ii) Advance from Customers A/c**

Date	Particulars	Rs.	Date	Particulars	Rs.
	To Sales A/c (Advance related to current year transferred to sales)	1,50,000	1.4.2016	By Balance b/d	2,00,000
31.3.17	To Balance c/d	1,70,000		By Bank A/c (Balancing Figure)	1,20,000
		3,20,000			3,20,000

So, total money received during the year is:

	Rs.
Cash Sales during the year	5,00,000
Add: Advance received during the year	1,20,000
Total money received during the year	6,20,000



**ANSWER TO Q.NO. 23**  
**In the Books of Mr. Vimal**  
**Manufacturing Account for the Year ended 30.6.2016**

Particulars	Units	Amount	Particulars	Units	Amount
		Rs.			Rs.
To Opening Work- in Process	10,000	16,000	By Closing Work- in Process	12,000	20,000
To Raw Materials Consumed: Opening 1,70,000 Purchases 8,20,000 closing 1,90,000		8,00,000	By Trading A/c – Cost of finished goods produced during the year	5,00,000	19,00,800
To Direct Wages (W.N.1)		4,04,800			
To Direct expenses:					
Hire charges of machine (W.N.2)		3,00,000			
<b>PRIME COST</b>		<b>15,04,800</b>			
To Indirect expenses:					
Hire charges of Factory Shed		2,20,000			
Repairs Maintenance		1,80,000			
<b>OVERHEADS</b>		<b>400,000</b>			
		<b>19,20,800</b>			<b>19,20,800</b>

**Working Notes :**

(1) Direct Wages: 5,00,000 units @ Rs. 0.80	Rs. 4,00,000
12,000 units @ Rs. 0.40	Rs. 4,800
	Rs.4,04,800
2) Hire charges on Machinery: 5,00,000 units @ Rs. 0.60	Rs.3,00,000



**ANSWER TO Q.NO. 24**

**In the Books Of Mr.Pankaj**

**Manufacturing Account**

**For the year ended on 31.03.2016**

Particular	Amount	Particulars	Amount
	Rs.		Rs.
To Opening W.I.P	3,90,000	By Closing W-I-P	5,07,000
To Raw Material Consumed:		By By - products	20,000
Opening Inventory 3,02,000			
Add: Purchases 12,10,000			
Less: Return 18,000			
Less: Closing inventory 3,10,000	11,84,000		
To Direct Wages	2,10,000	By Trading A/c- Cost of finished Goods transferred	13,21,000
<b>Prime cost</b>	<b>13,94,000</b>		
To Indirect Material	16,000		
To Indirect wages	48,000		
<b>Overheads</b>	<b>64,000</b>		
	<b>18,48,000</b>		<b>18,48,000</b>

**ANSWER TO Q.NO. 26**

**Books of M/s Govaskar, Viswanath & Co.**

**Trading for the year ended 31<sup>st</sup> March 2017**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	6,20,000	By sales	22,44,000
To Purchases	13,34,000	By closing stock	4,40,000
To Freight on purchases	12,000		
To Gross profit	7,18,000		
	<b><u>26,84,000</u></b>		<b><u>26,84,000</u></b>
To Provision for debts (WN1)	33,000	By Gross profit	7,18,000
To Depreciation (WN5)	1,20,000	By discount Received	16,000





To Interest on Loan (WN9)	33,000		
To Salaries	1,10,000		
To Godown rent	66,000		
To Rates & taxes	21,000		
To Discount	24,000		
To Carriage outward	20,000		
To Insurance (WN)	12,000		
To Printing & stationery	18,000		
To Electricity charges	22,000		
To General office expenses	30,000		
To Bank charges	16,000		
To Motor car	36,000		
To Net profit	1,73,000		
	<b>7,34,000</b>		<b>7,34,000</b>

**Balance Sheet As at 31<sup>st</sup> March 2017**

Particulars	Amount Rs.	Particulars	Amount Rs.
Creditors	4,30,000	Cash In hand	14,000
Loan from Viswanath	3,00,000	Cash at Bank	26,000
Outstanding interest	6,000	Debtors 8,60,000	
		Less: Provision 43,000	8,17,000
Outstanding rent	11,000	Stock in Trade	4,40,000
Capital 16,20,000		Prepaid Insurance	3,000
Less: Drawings 1,60,000			
Add: Profit 1,73,000	16,33,000		
		Furniture & Fixture	1,80,000
		Office equipment	1,70,000
		Buildings 6,00,000	
		Less: Dep.(WN5) 30,000	5,70,000
		Motor car 2,00,000	
		Less: Dep.(WN5) 40,000	1,60,000
	<b>23,80,000</b>		<b>23,80,000</b>



**Working Notes:**

(1) **Provision for bad debts A/c**

Particulars	Amount Rs.	Particulars	Amount Rs.
To bad debts a/c	20,000	By balance b/d	30,000
To balance c/d (8,60,000 X 5%)	43,000	By Profit & Loss A/c (b/d)	33,000
	63,000		63,000

(2)

Bank	14000	Bank	14000
To furniture	14000	To sales	14000
↓		↓	
Correct journal		Wrong journal	
Rectification entry :			
Sales A/c Dr.	14000		
To furniture A/c	14000		

(3)

Furniture	
Balance as on 31/03	2,14,000
Less: Sales of furniture (WN2)	14,000
Less: Depreciation @ 10%	2,00,000
	20,000
Correct Balance	1,80,000

(4)

Calculation of Correct Sales:

Given Balance	23,00,000
Less: Wrong transaction (WN2)	14,000
Less: Sales Return	42,000
Net Sales	22,44,000



(5)

Depreciation:

Furniture & Fixture	20,000
Office equipment	30,000
Building [6L X 5%]	30,000
Motor car [2L X 20%]	40,000
	1,20,000

(6)

Rectification entry :

Office equipment A/c Dr.	40000
To Purchases A/c	40000

(7)

Office Equipment:

Balance	1,60,000
Add: Type writer (WN6)	40,000
Less: Depreciation @ 15%	30,000
	1,70,000

(8)

Purchases	14,00,000
Less: Wrong recording	40,000
Less: Purchase return	26,000
	13,34,000

(9)

Interest on Loan:

$3,00,000 \times 12\% \times \frac{12}{12} =$	33,000
Interest	27,000
Add: Outstanding	33,000



(10)  
 Godown rent for 2 months =  $\frac{55000}{10} \times 2$

Outstanding Rent =	11,000
Paid	55,000
Rent for the year	66,000

(11)

Insurance Premium	55,000
Less: Drawings	40,000
From 01/04/16 – 30/06/17 [15 months]	15,000
Less: 3 Months Prepaid	15,000 X3
	15=3000
Transfer to Profit & Loss	12,000

**ANSWER TO Q.No.27**

**Calculation of bad and doubtful debts**

	Rs.
Debtors	30,000
Less: further bad debts	3,000
Net debtors	27,000
Provision for bad debts 10%	
Amount (27,000 X 10% )	2,700

**ANSWER TO Q.NO.28:**

**Calculation of Cash Balance**

	Rs.
Opening balance	1,00,000
Cash sales	50,000
Collection from debtors (Credit sales = 4,50,000 Outstanding debtors = 1,00,000 Therefore, collection from debtors = 3,50,000)	3,50,000
Cash balance	5,00,000



**ANSWER TO Q.NO.29:**

Dr.		Provision for bad debts account		Cr.	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To bal b/d	15,000	By profit and loss (b/f)	5,000		
To bad debts	10,000	By bal c/d	20,000		
	<b><u>25,000</u></b>				<b><u>25,000</u></b>

**ANSWER TO Q.NO.31:**

**Profit and Loss Account (Revised)**

Particulars	Rs.	Particulars	Rs.
To Outstanding expenses	1,80,000	By Balance b/d	15,30,000
To NP (correct)	13,70,000	By Prepaid insurance	20,000
	<b>15,50,000</b>		<b>15,50,000</b>

**Balance Sheet of Thapar  
as on 31st December, 2016**

Liabilities		Rs.	Assets		Rs.
Capital	50,00,000		Cash at Bank		10,35,000
Add: Net Profit	13,70,000		Trade receivables	20,00,000	
	63,70,000		Less: Provision for doubtful debts	(1,00,000)	19,00,000
Less : Drawings	(6,00,000)		Plant and Machinery	30,00,000	
	57,70,000		Less: Depreciation	(3,00,000)	27,00,000
Add: Interest on capital	3,00,000	60,70,000	Furniture & Fixture	3,00,000	
Outstanding expenses		1,80,000	Less: Depreciation	(15,000)	2,85,000
Trade payables		11,40,000	Inventories		14,50,000
			Prepaid insurance		20,000
		<b>73,90 000</b>			<b>73,90,000</b>



**ANSWER TO Q.NO.32:**

**Calculation of purchase price per piece of cover file**

Per 100 files	275
Per 1000 files	2750
Add: sales tax 5% = 2750 X 5%	137.5
Add: transport charges	50
Purchase price	2937.5
Purchase price per piece = 2937.5 / 1000	2.9375

**ANSWER TO Q.NO.33:**

Dr.		Debtors account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To bal b/d	10,200	By sales return	2,700		
To sales (b/f)	37,900	By cash	30,400		
		By bad debts	1,200		
		By bal c/d	13,800		
	<b><u>48,100</u></b>				<b><u>48,100</u></b>

Total sales = cash sales + credit sales = 66,300

**ANSWER TO Q.NO.34:**

**Trading and Profit & Loss Account For the year ended 31<sup>st</sup> March 2008**

To Opening Stock		15,500	By Sales	2,07,300	
To Purchases	1,06,000		Less: Sales Returns	5,100	2,02,200
Less: Purchases Returns	2,100	1,03,900	By Closing Stock		14,900
To Freight on Purchases		2,800			
To Wages	26,000				
Add: Outstanding wages	2,100	28,100			
To Gross Profit c/d		66,800			
		<b><u>2,17,100</u></b>			<b><u>2,17,100</u></b>



To Salaries		11,000	By Gross Profit b/d		66,800
To Rent		3,000	By Discount		1,200
To Postage and Telegrams		1,400			
To Stationery		1,300			
To Repairs		4,500			
To carriage on sales		4,000			
To General Expenses	2,500				
Less: Prepaid Insurance	600	1,900			
To Interest on Loan @ 9%		1,350			
To Bad Debts	600				
Add: Provision for bad debts	1,500	2,100			
To depreciation on:					
Land and Building	700				
Plant and Machinery	5,000				
Fixtures and Furnitures	750	6,450			
To Commission to manager (Note)		2,818			
To Net Profit transferred to capital a/c		28,182			
		<b><u>68,000</u></b>			<b><u>68,000</u></b>

**Note:** Profit before charging commission is Rs.31,000. commission payable @ 10% of net profit after charging such commission.

### Manager's Commission

= Net Profit  $\times$  % of Commission/100 + % of Commission

= Rs.31,000  $\times$  10/110 = Rs.2,818



**Balance Sheet**  
**As at 31<sup>st</sup> March, 2008**

<b>Liabilities</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>	<b>Rs.</b>
Sundry Creditors		9,600	<b>Current Assets</b>		
Wages outstanding		2,100	Cash in Hand		100
Manager's commission (Note)		2,818	Cash at Bank		6,400
Mrs. Ram Narain's Loan	30,000		Sundry Debtors	30,000	
Add: Interest on Loan	1,350	31,350	Less: Provision for Doubtful Debts	1,500	28,500
<b>Capital</b>			Closing stock		14,900
Opening Balance	60,000		Unexpired Insurance		600
Add: Net Profit	28,182	88,182	<b>Fixed Assets</b>		
			Furniture and Fixtures	5,000	
			Less: Depreciation	750	4,250
			Machinery	50,000	
			Less: Depreciation	5,000	45,000
			Land and Building	35,000	
			Less: Depreciation	700	34,300
		<b><u>1,34,050</u></b>			<b><u>1,34,050</u></b>



**ANSWER TO Q.NO.35:**

**In the books of Shri Mittal  
Trading Account  
for the year ended 31st March, 2017**

Particulars		Amount	Particulars		Amount
		Rs.			Rs.
To Opening inventory		72,000	By Sales	12,10,000	
To Purchases	6,05,000		Less: Returns	(40,000)	11,70,000
Less: Returns	(30,000)	5,75,000	By Closing inventory		1,00,000
To Gross Profit		6,23,000			
		<b>12,70,000</b>			<b>12,70,000</b>

**Profit and Loss Account  
For the year ended 31st March, 2016**

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Salaries	2,70,000	By Gross profit	6,23,000
To Advertisement	1,10,000		
To Other expenses	60,000		
To Net profit	1,83,000		
	<b>6,23,000</b>		<b>6,23,000</b>

**Balance Sheet as on 31st March, 2017**

Liabilities		Amount	Assets	Amount
	Rs.	Rs.		Rs.
Capital	8,70,000		Building	8,90,000
Add: Net profit	1,83,000	10,53,000	Furniture	4,50,000
14% Bank Loan		2,00,000	Trade receivables	90,000
Trade payables		1,65,000	Closing inventory	1,00,000
Overdrafts		1,12,000		
		<b>15,30,000</b>		<b>15,30,000</b>



**ANSWER TO Q.NO.36:** In the Books of M/s Dayal Bros.

**Balance Sheet as on 31st March, 2017**

Liabilities		Amount	Assets	Amount
Capital: Balances	7,00,000		Land & Building	3,00,000
Add: Net Profit	1,00,000		Furniture	2,00,000
	8,00,000		Inventories in Trade	6,00,000
Less: Drawings	(60,000)	7,40,000	Trade receivables	4,20,000
14% Term Loan		4,00,000	Advances to Suppliers	1,00,000
Loan from M/s D & Co.		4,60,000	Cash in Hand	20,000
Trade payables		40,000		
		<b><u>16,40,000</u></b>		<b><u>16,40,000</u></b>

**ANSWER TO Q.No.37:**

**C. WANCHOO**

**Dr. Trading Account of the year ended 31<sup>st</sup> December Cr.**

Particulars	Rs.	Particulars	Rs.
To Stock A/c	2,000	By Sales A/c	50,000
To Purchases	18,200	By Closing Stock	2,700
To Wages	10,000		
To Gross profit trfd. to P & L A/c	22,500		
	<b><u>52,700</u></b>		<b><u>52,700</u></b>

**Profit and Loss Account for the year ended 31<sup>st</sup> December**

Particulars	Rs.	Particulars	Rs.
To Salaries	10,000	By Gross profit	22,500
To Discount Allowed	500	By Discount Received	300
To Sundry Office Expenses	6,000		
To Net Profit	6,300		
	<b><u>22,800</u></b>		<b><u>22,800</u></b>



**ANSWER TO Q.NO.38:**

**Calculation of amount to be paid by suraj without any discount**

	<b>Rs.</b>
After availing cash discount of 10%, amount paid	1800
So, liability settled for Rs. 1800 x 100/90	2000
After availing cash discount of 5%, amount paid	2850
So, liability settled for Rs. 2850 x 100/95	3000
On account of final settlement = 7000 – 2000 – 3000	2000

**ANSWER TO Q.NO.39:**

**In the books of Mr. Mohan**

**Trading Account for the year ended 31st March, 2017**

<b>Particulars</b>		<b>Amount</b>	<b>Particulars</b>		<b>Amount</b>
		<b>Rs.</b>			<b>Rs.</b>
To Opening Inventory		1,10,000	By Sales	9,70,000	
To Purchases	4,30,000		Less: Returns	(20,000)	9,50,000
Less: Returns	(12,000)	4,18,000	By Closing Inventory		1,80,000
To Freight Inwards		40,000			
To Gross profit		5,62,000			
		<b><u>11,30,000</u></b>			<b><u>11,30,000</u></b>

**Profit and Loss Account**

**for the year ended 31st March, 2017**

<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Depreciation	35,000	By Gross profit	5,62,000
To Salaries	2,10,000	By Discount received	9,000
To Administration expenses	1,50,000		
To Discount allowed	19,000		
To Bad debts	5,000		
To Net profit	1,52,000		
	<b><u>5,71,000</u></b>		<b><u>5,71,000</u></b>



**ANSWER TO Q.NO.40:**

**Profit and Loss Account**

**for the year ended 31<sup>st</sup> March**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Expenses on Sale	33,000	By Gross Profit	1,25,000
To Expenses on Administration	18,000		
To Financial Charges	6,000		
To Net Profit	68,000		
	<b><u>7,50,000</u></b>		<b><u>7,50,000</u></b>

