NCERT SOLUTIONS

CLASS - 11th



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Class : 11th
Subject : Accountancy
Chapter : 11
Chapter Name : Accounts for Incomplete Records

Q1 State the three fundamental steps in the accounting process.

Answer. The fundamental steps in the accounting process are:

- → Identification of financial transactions from the vouchers (source documents).
- → Recording the transactions in book of original entry i.e., journal.
- → Classifying the transactions into individual account i.e., ledger.
- → Preparation of financial statement in the form of Trading and Profit and Loss Account and Balance Sheet.
- → Communicating the financial statements to the different users.

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Q2 Why is the evidence provided by the sources documents important to accounting?

Answer. A document that provides the evidence of the transactions is called the source document or voucher. When there is no documentation of certain transactions, vouchers are prepared to present the necessary details. The vouchers are arranged chronologically for recordings in the books of accounts. Source documents are preserved till the audit of the accounts and tax assessments are competed. A sources document records the name and signature of the authorized person mentioned in it and other relevant information that may be used in future.

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Q3 Should a transaction be first recorded in a journal or ledger? Why?

Answer. Accounting transactions are first recorded in the journal, it provides complete record of each transaction in one place i.e., the debit and credit aspect of a transaction in the same place. Journal provides a complete and useful description of the event's effect on the organization. This is why journal is called as the Book of Original Entry. The individual transactions recorded in the journal are then transferred to individual accounts.
Ledger account is known as the Principal Book of entry. It contains different accounts with transactions relating to that account is recorded. Ledger records the transactions in analytical order, unlike journal where transactions are recorded in chronological order.
Therefore, a transaction should be first recorded in the journal and then posted into ledger accounts.

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Q4 Are debits or credits listed first in journal entries? Are debits and credits indented?

Answer. The journal has different debit and credit amount columns, as per the rule of double entry system. The journal records the transaction in journal format which is different from normal way of recording transactions. In the journal, the debit amount column is listed before the credit amount column. These are recorded in the journal before recording in the ledger.
Indentation is leaving some space before writing any word. In journal, in the 'Particulars' column, debited account is written first and the credited account is written in the next line after leaving some space, which is indentation. Therefore, credits are indented.

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Q5 Why are some accounting systems called double accounting systems?

Answer. In double accounting system or double entry accounting, every transaction has dual aspect or dual effect and is recorded in atleast two accounts. Every transaction involves give and take aspect. In this the total amount debited must be equal to the total amount credited.

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Q6 Give a specimen of an account.

Answer.

Dr. _____ Account
Cr.

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount

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Q7 Why are the rules of debit and credit same for liability and capital?

Answer. Businesses acquire funds from internal as well as from external sources. The business entity concept states that the amount borrowed from the external sources as well as internal sources like capital invested by the proprietor, is termed as liability to the business. The concept treats the business and the business owner separately. Capital is treated as liability to the business because it has to be repaid by the business to the owner. The capital introduced is credited the same way liabilities incurred is credited. When liability is paid back it is debited similarly drawings from the capital and net loss is also debited. Therefore, the rules of debit and credit are same for liability and capital.

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Q8 What is the purpose of posting J.F numbers that are entered in the journal at the time entries are posted to the accounts?

Answer. J.F number is the number entered in the ledger while posting entries into their accounts. This helps in determining whether the transactions are correctly posted in the accounts. It helps in locating the entries of accounts in journal. It also ensures that all the transactions are posted or not.

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Q9 What entry (debit or credit) would you make to : (a) increase revenue (b) decrease in expense (c) record drawings (d) record the fresh capital introduced by the owner.

Answer.

(a) Increase revenue – increase in revenue is credited as it increases the profit eventually increasing the capital. Since capital has a credit balance, any increase in capital is credited, therefore, increase in revenue will be credited.
(b) Decrease in expense – Decrease in expense leads to increase in net profit leading to increase in capital. Expenses have debit balances, so, increase in expense is debited and decrease in capital is credited.
(c) Record drawings – drawings lead to decrease in capital. Since capital has a credit balance, any increase in capital is credited while any decrease in capital debited. Therefore drawings are debited.
(d) Record of fresh capital introduced by the owner – Introduction of fresh capital leads to increase in the capital present. Since capital has credit balance, increase in capital id credited.

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Q10 If a transaction has the effect of decreasing an asset, is the decrease recorded as a debit or as a credit? If the transaction has the effect of decreasing a liability, is the decrease recorded as a debit or a credit?

Answer. If a transaction has the effect of decreasing an asset, it is recorded as credit. Since assets have debit balance, any increase in asset is debited while any decrease in asset is credited. Therefore, decrease in asset will be recorded as credit.
If a transaction has the effect of decreasing a liability, it is recorded as debit. Liabilities have credit balance, increase in liability is credited whereas decrease in liability is debited. Therefore, decrease in liability is debited.

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Q1 Describe the events recorded in accounting systems and the importance of sources documents in those systems.

Answer. Numerous transactions take place in an organization on everyday basis and it is beyond human capacity to memorise all the transactions, this is why source documents are used in the accounting system. These are the evidence of business transactions that can be used in future and in court of law as well. These ensure that the recordings are not biased.
Events that are supported by source documents are :
Credit sale of goods supported by sale invoice/bill.
Credit purchase of goods supported by purchase invoice/bill.
Cash sales and cash purchases supported by cash memo.
Goods returned by customers supported by credit note and goods returned to customers supported by credit note.
Payments through bank supported by cheque.
Deposits into bank supported by pay-in-slips.
Only those events that can be expressed in terms of money are recorded in the books of accounts. Events that cannot be expressed in terms of money i.e., non-monetary events are not taken into account. For example, labour turnover, promotion of manager, etc. cannot be recorded in the books whereas, events like increase in salary is recorded.
Source document is important as it records the date, amount, name of the parties involved and other details. Sources documents act as evidence in the court of law and are used for verification at the time of auditing.

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Q2 Describe how debits and credits are used to analyse transactions.

Answer. Every transaction has a give and take aspect. According to the double entry accounting, every transaction affects and is recorded in at least two or more accounts, the total amount debited must be equal to the total amount credited. Debit and credit depends on the nature of the accounts involved, such as assets, expenses, liabilities, income and capital. There are five kinds of accounts :
Assets- it includes the property or legal rights owned by the organization for its operations such as building, furniture, machinery, etc. The journal for purchase of a new machinery is :

Asset A/c	Dr.	
To Cash A/c		

Since there is reduction in the cash balance due to new purchase, the cash account is credited and there is increase in an asset, asset account will be debited.
Expenses – these are the expenditure incurred by the firm for carrying its operations. When an expense is incurred, the journal entry passed is :

Expenditure A/c	Dr.	
To Cash A/c		

In this case, the cash account is debited because of the decrease in cash balance whereas expenditure account is debited to record the reduction in cash.

Liabilities – it includes the debts held by the firm for its operations. When a debt is taken, the journal entry is :

Bank A/c Dr.

To Bank Loan A/c

The bank account is debited because there is increase in the cash balance of the firm. Bank loan is a liability for the firm and liabilities have credit balance, therefore, bank loan account is credited.

Income – these are the profits earned by the firm, it is also the excess of revenue over expenditure. The journal entry for receiving an income is :

Cash A/c Dr.

To Income A/c

Here, cash account is debited to account for the increase in cash balance while income account is credited because it has a credit balance as it leads to increase in capital.

Capital – It is the amount invested by the owner in the business. It has a credit balance. The journal for increase in capital is :

Cash A/c Dr.

To Capital A/c

The cash account is debited because introduction of new capital in the firm increase the cash balance, capital account is credited because it has credit balance and it is the amount owed by the owner and has to be returned.

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Q3 Describe how accounts are used to record information about the effects of transactions?

Answer. Transactions are first recorded in the book of original entry (journal) chronologically. The conclusion for an account cannot be drawn through a single entry. Accounts are prepared to know the position of the business at regular intervals.

For example, Goods worth Rs. 1,00,000 sold to Mr. X on July 15 and received payment on July 30 Rs. 95,000.

The journal entry recorded will be:

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
July15	X's A/c Dr.	24	1,00,000	
	To Sales A/c	15		1,00,000
	(Being goods sold to Mr. X on credit)			
July 30		17	95,000	
	Cash A/c Dr.	24		95,000
	To X's A/c			
	(Being cash received from Mr. X)			

Steps for posting journals into ledger accounts :
Step 1 – Locating the account in ledger i.e., Mr. X's Account.
Step 2 – Date is entered in the date column of the debit side of X's A/c
Step 3 – In the 'particulars' column of the debit side of X's A/c, the name of the corresponding account is mentioned i.e., 'sales'.
Step 4 – The page number of the ledger is entered in the Journal Folio (J.F.) column of X's A/c
Step 5 – the amount is entered in the 'Amount' column.
Step 6 – similar steps are to be followed to post the entries on the credit side of X's A/c.
Step 7 – after all the transactions are posted in the ledger, both sides are totaled and the difference is written in the shorter side as 'balance c/d'.
Step 8 – The total is written on both sides .

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Q4 What is a journal? Give a specimen of journal showing at least five entries.

Answer. Journal is the book of original entry. Journal records the transactions as they take place in chronological order. After recording in the journal, the transactions are posted in respective accounts. Transactions are recorded after determining the particular account to be debited or credited.

Proforma of journal
In the books of

Date	Particulars	L.F.	Debit (Rs.)	Credit(Rs.)

- → Date records the date on which transaction takes place.
- → Particulars records the details of the transactions like, name of parties involved and name of related accounts.
- → Ledger folio (L.F.) records the page number of the ledger account when entry is posted.
- → Debit amount records the debit amount
- → Credit amount records the amount to be credited.

Example :

1. Started business with cash Rs. 2,00,000 on Jan 01.
2. Opened bank account Rs. 50,000 on Jan 05.
3. Purchased goods for cash worth Rs. 70,000 on Jan 12.
4. Sold goods for cash Rs. 90,000 on Jan 15.
5. Sold goods on credit to Mr. A Rs. 15,000 on Jan 20.

In the books of
Journal

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)

Jan 01	Cash A/c	Dr.		2,00,000	
	To Capital A/c				2,00,000
	(Being business started with cash)				
Jan 05	Bank A/c	Dr.		50,000	
	To Cash A/c				50,000
	(Being Bank account opened)				
Jan 12	Purchases A/c	Dr.		70,000	
	To Cash A/c				70,000
	(Being Goods purchased for cash)				
Jan 15	Cash A/c	Dr.		90,000	
	To Sales A/c				90,000
	(Being goods sold for cash)				
Jan 20	A's A/c	Dr.		15,000	
	To Sales A/c				15,000
	(Being goods sold to Mr. A on credit)				
		TOTAL		4,25,000	4,25,000

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Q5 Differentiate between source documents and vouchers.

Answer.

Source documents	Vouchers
It refers to the documents in writing, and contains all the details of the transactions.	Source document which is considered as evidence of a transaction is voucher .
These are used for preparing accounting vouchers.	These are used for analyzing transactions.
These are the basis for preparing accounting vouchers that help in recording.	These are the basis for recording transactions.
It is prepared as and when the transaction takes place.	It can be prepared at the time of the transaction taking place or later on.
These can be used as evidence in the court of law.	These can be used for assessing the authenticity of the transactions.

These are prepared by the parties involved in the transaction, or who is authorized to prepare or approve the documents.	It is prepared by authorized personnel or accountants.
Example – cash memo, invoice and pay-in slip, etc.	Example –cash memo, debit note, credit note, cash vouchers , transfer vouchers, etc.

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Q6 Accounting equation remains intact under all circumstances. Justify the statement with the help of an example.

Answer. Accounting equation signifies that the assets of a business are always equal to the total of its liabilities and capital. The equation reads as follows : A = L+C, here, A – Assets, L – Liabilities, C- capital. Accounting equation depicts the fundamental relationship among the components of the balance sheet.
In any circumstance the given equation cannot be changed. For example,
Business started with cash Rs. 50,000. The entry passed will be :
Cash A/c Dr. 50,000
To Capital A/c 50,000

Assets	=	Liabilities	+	Capital
Cash 50,000				50,000

Cash invested in the business increases the cash balance and the capital of the firm.
Goods purchased on credit Rs. 10,000.

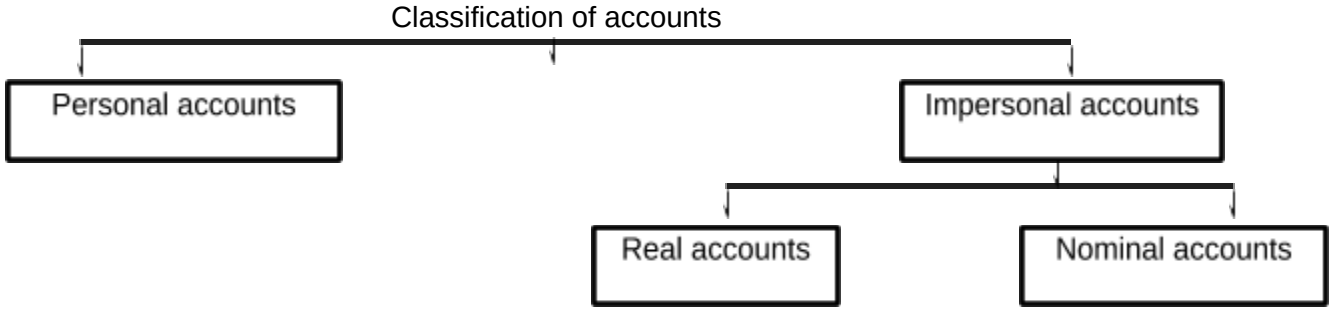
Assets		=	Liabilities	+	Capital
Cash	Stock		Creditors		
50,000	10,000	=	10,000	+	50,000

Increase in an asset leads to simultaneous increase in liability.
The above examples prove that in any circumstance the accounting equation remains intact.

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Q7 Explain the double entry mechanism with an illustrative example.

Answer. Every transaction has a give and take aspect i.e., every transaction affects and is recorded in at least two accounts. The total amount debited must be equal to the total amount credited. In double entry accounting the accounts are classified as given :



Personal account includes all the individual persons, firms, companies, etc. for example- Mr. X, M/s. XYZ and Co.

Rule of double entry for personal accounts – debit the receiver and credit the giver.

Example , received cash from Mr. Y

Cash A/c Dr.
To Mr. Y

Impersonal account includes non-living things. It is further classified into real and nominal accounts.
Real account – it includes all the assets tangible and intangible.
Rule of double entry for real accounts- debit what comes in, credit what goes out.
Example, Purchased machinery for cash

Machinery A/c Dr.
To Cash A/c

Nominal account – it includes all the expenses, losses, incomes and gains.
Rule of double entry for nominal accounts – debit all expenses and losses, credit all incomes and gains.
Example, commission received

Cash A/c Dr.
To Commission A/c

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Q1 Following information is given below prepare the statement of profit or loss:

	Rs.
Capital at the end of the year	5,00,000
Capital in the beginning of the year	7,50,000
Drawings made during the period	3,75,000
Additional capital introduced	50,000

Answer.

Statement of profit and loss

Particulars	Amount (Rs.)
Capital at the end of the year	5,00,000
Add: drawings made during the period	3,75,000
Less: capital in the beginning of the year	
Less: additional capital introduced	

	8,75,000 (7,50,000) (50,000)
Profit during the year	75,000

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Q2 Manveer started his business on April 01, 2016 with a capital of Rs. 4,50,000. On March 31, 2017 his position was as under :

	Rs.
Cash	99,000
Bills receivable	75,000
Plant	48,000
Land and building	1,80,000
Furniture	50,000

He owned Rs. 45,000 from his friend Susheel on that date. He withdrew Rs. 8,000 per month for his household purposes. Ascertain his profit or loss for this year ended March 31, 2017.
Answer.

In the Books of Manveer

Statement of affairs as on 31 March 2017

Liabilities	Amount(Rs.)	Particulars	Amount(Rs.)
Loan from susheel	45,000	Cash	99,000
Closing capital (balancing figure)	4,07,000	Bills receivable	75,000
		Plant	48,000
		Land and building	1,80,000
		Furniture	50,000
	4,52,000		4,52,000

Particulars	Amount(Rs.)
Capital at the end of the year	4,07,000
Add: drawings	96,000
	5,03,000
Less: capital in the beginning of the year	(4,50,000)
Profit at the end of the year	53,000

Statement of profit and loss as on 31 March 2017

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Q3 From the information given below ascertain the profit for the year :

	Rs.
Capital at the beginning of the year	70,000
Additional capital introduced during the year	17,500
Stock	59,500
Sundry debtors	25,900
Business premises	8,600
Machinery	2,100
Sundry creditors	33,400
Drawings made during the year	26,400

Answer.

Statement of affairs as at

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Sundry creditors	33,400	Stock	59,500
Capital (balancing figure)	62,700	Sundry debtors	25,900
		Business premises	8,600
		Machinery	2,100
	96,100		96,100

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Statement of profit and loss as on

Particulars	Amount(Rs.)
Capital at the end of the year	62,700
Add: drawings during the year	26,400
	89,100
Less: additional capital introduced	(17,500)
Less: capital in the beginning of the year	(70,000)
Profit during the year	1,600

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Q4 From the following information, calculate capital at the beginning :

Rs.

Capital at the end of the year	4,00,000
Drawings made during the year	60,000
Fresh capital introduced during the year	1,00,000
Profit for the current year	80,000

Answer. Calculation of capital at the beginning of the year :

Particulars	Amount (Rs.)
Capital at the end of the year	4,00,000
Add: drawing made during the year	60,000
	4,60,000
Less: fresh capital introduced during the year	(1,00,000)
less: profit for the current year	(80,000)
Capital at the beginning	2,80,000

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Q5 Following information is given below : calculate the closing capital

	April 01, 2016	March 31, 2017
	Rs.	Rs.
Creditors	5,000	30,000
Bills payable	10,000	----
Loan	-----	50,000
Bills receivable	30,000	50,000
Stock	5,000	30,000
Cash	2,000	20,000

Answer. Statement of affairs as at March 31 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	30,000	Cash	20,000
Loan	50,000	Stock	30,000
Closing Capital (balancing figure)	20,000	Bills receivable	50,000
	1,00,000		1,00,000

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Q6 Mrs. Anu started firm with capital of Rs. 4,00,000 on 1st October, 2016. She borrowed from her friends a sum of Rs. 1,00,000 @ 10% per annum (interest paid) for business and brought a further amount to capital Rs. 75,000 on March 31, 2017, her position was :

	Rs.
Cash	30,000
Stock	4,70,000
Debtors	3,50,000
Creditors	3,00,000

She withdrew Rs. 8,000 per month for the year. Calculate profit or loss for the year and show your working clearly.

Answer. In the books of Mrs. Anu

Statement of profit and loss as at 31 march 2017

Particulars	Amount(Rs.)
Capital as on 31 March 2017	4,50,000
Add: drawings during the year	48,000
	4,98,000
Less: additional capital introduced	(75,000)
Less: capital as on 1 October 2017	(4,00,000)
Profit for the year	23,000

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Working note :

Statement of affairs as on 31 march 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Loan	1,00,000	Cash	30,000
Creditors	3,00,000	Stock	4,70,000
Capital (balancing figure)	4,50,000	Debtors	3,50,000
	8,50,000		8,50,000

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Q7 Mr. Arnav 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.

	Rs.
Capital 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

Answer. In the books of Mr. Arnav

Statement of profit and loss as at

Particulars	Amount(Rs.)
Capital at the end of the year	16,40,000
Add: drawings made during the period	80,000
	17,20,000
Less: additional capital introduced	(3,20,000)
Less: capital at the beginning	(15,00,000)
Loss during the period	(1,00,000)

Working note :

Statement of affairs as on

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	6,00,000	Cash in hand	80,000
Capital (balancing figure)	16,40,000	Stock in trade	2,00,000
		Bills receivable	60,000
		Furniture	9,00,000
		Building	10,00,000
	22,40,000		22,40,000

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Q8 Mr. Akshat keeps his books on incomplete records, following information is given below :

	April 01,2016	March 31, 2017
	Rs.	Rs.
Cash in hand	1,000	1,500
Cash at bank	15,000	10,000
Stock	1,00,000	95,000
Debtors	42,500	70,000

Business premises	75,000	1,35,000
Furniture	9,000	7,500
Creditors	66,000	87,000
Bills payable	44,000	58,000

During the year he withdrew Rs. 45,000 and introduced Rs. 25,000 as further capital in the business, compute the profit or loss of the business.

Answer. In the books of Mr. Akshat

Statement of profit and loss as at 31 March 2017

Particulars	Amount (Rs.)
Capital as on 31 march 2017	1,74,000
Add: drawings made during the period	45,000
	2,19,000
Less: further capital introduced	(25,000)
Less: capital as on 1 April 2016	(1,32,500)
Profit for the year	61,500

Working note :

Statement of affairs as at April 01, 2016

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	66,000	Cash in hand	1,000
Bills payable	44,000	Cash at bank	15,000
Capital (balancing figure)	1,32,500	Stock	1,00,000
		Debtors	42,500
		Business premises	75,000
		Furniture	9,000
	2,42,500		2,42,500

Statement of affairs as at 31 March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	87,000	Cash in hand	1,500
Bills payable	58,000	Cash at bank	10,000
Capital (balancing figure)	1,74,000	Stock	95,000
		Debtors	70,000
		Business premises	1,35,000
		Furniture	7,500

	3,19,000		3,19,000

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Q9 Gopal does not keep proper books of account, following information is given below :

	April 01, 2016	March 31, 2017
	Rs.	Rs.
Cash in hand	18,000	12,000
Cash at bank	1,500	2,000
Stock in trade	80,000	90,000
Sundry debtors	36,000	60,000
Sundry creditors	60,000	40,000
Loan	10,000	8,000
Office equipments	25,000	30,000
Land and building	20,000	30,000
Furniture	10,000	10,000

During the year he introduced Rs. 20,000 and withdrew Rs. 12,000 from the business. Prepare the statement of profit or loss on the basis of the given information.

Answer. In the books of Gopal

Statement of profit or loss as at march 31, 2017

Particulars	Amount(Rs.)
Capital as on 31 March 2017	1,76,000
Add: drawings made during the year	12,000
	1,88,000
Less: additional capital introduced	(20,000)
less: capital as on 01 April 2016	(1,30,500)
Profit for the year	37,500

Working note : 1.

Statement of affairs as at 01 April 2016

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)

Sundry creditors	60,000	Cash in hand	18,000
Loan	10,000	Cash at bank	1,500
Capital (balancing figure)	1,30,500	Stock in trade	80,000
		Sundry debtors	36,000
		Office equipments	25,000
		Land and building	30,000
		Furniture	10,000
	2,00,500		2,00,500

2. Statement of affairs as at 31 March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Sundry creditors	40,000	Cash in hand	12,000
Loan	8,000	Cash at bank	2,000
Capital (balancing figure)	1,76,000	Stock in trade	90,000
		Sundry debtors	60,000
		Office equipemts	30,000
		Land and building	20,000
		Furniture	10,000
	2,24,000		2,24,000

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Q10 Mr. Muneesh maintains his books of accounts from incomplete records. His books provide the following information :

	April 01, 2016	March 31, 2017
	Rs.	Rs.
Cash	1,200	1,600
Bills receivable	___	2,400
Debtors	16,800	27,200
Stock	22,400	24,400
Investment	___	8,000
Furniture	7,500	8,000
Creditors	14,000	15,200

He withdrew Rs. 300 per month for personal expenses. He sold his investment of Rs. 16,000 at 2% premium and introduced that amount into the business.

Answer.

In the books of Mr. Muneesh

Statement of profit or loss as at 31 March 2017

Particulars	Amount (Rs.)
Capital as on 31 March 2017	56,400
Add: drawings made during the year	3,600
	60,000
Less: additional capital introduced	(16,320)
Less: capital as on 1 April 2016	(33,900)
Profit for the period	9,780

Working note : 1.

Statement of affairs as at 1 April 2016

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	14,000	Cash	1,200
Capital (balancing figure)	33,900	Debtors	16,800
		Stock	22,400
		Furniture	7,500
	47,900		47,900

Statement of affairs as at 31 March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	15,200	Cash	1,600
Capital (balancing figure)	56,400	Bills receivable	2,400
		Debtors	27,200
		Stock	24,400
		Investment	8,000
		Furniture	8,000
	71,600		71,600

2. calculation of additional capital = 16,000 + 2% of 16,000 = Rs. 16,320

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Q11 Mr. Girdhari Lal does not keep full double entry records. His balance as on April 01, 2016 is as

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Sundry creditors	35,000	Cash in hand	5,000
Bills payable	15,000	Cash at bank	20,000
Capital	40,000	Sundry debtors	18,000
		Stock	22,000
		Furniture	8,000
		Plant	17,000
	90,000		90,000

His position at the end of the year is :

	Rs.
Cash in hand	7,000
Stock	8,600
Debtors	23,800
Furniture	15,000
Plant	20,350
Bills payable	20,200
Creditors	15,000

He withdrew Rs. 500 per month out of which to spent Rs. 1,500 for business purpose. Prepare the statement of profit or loss.

Answer.

In the books of Mr. Girdhari Lal

Statement of profit or loss as at March 31, 2017

Particulars	Amount(Rs.)
Capital as on March 31 2017	39,550
Add: drawings	4500
	44,050
less: capital as on April 01, 2016	(40,000)
Profit for the year	4,050

Working note :

Statement of affairs as at March 31, 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Bills payable	20,200	Cash in hand	7,000
Creditors	15,000	Stock	8,600
Capital (balancing figure)	39,550	Debtors	23,800
		Furniture	15,000
		Plant	20,350
	74,750		74,750

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Q12 Mr. Ashok does not keep his books properly. Following information is available from his books .

	April 01, 2016	March 31, 2017
	Rs.	Rs.
Sundry creditors	45,000	93,000
Loan from wife	66,000	57,000
Sundry debtors	22,500	___
Land and 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. Ashok sold his private car for Rs. 50,000 and invested this amount into the business. He withdrew from the business Rs. 1,500 per month upto October 31, 2016 and thereafter Rs. 4,500 per month as drawings. You are required to prepare the statement of profit or loss and a statement of affairs as on March 31, 2017.

Answer. In the books of Mr. Ashok

Statement of affairs as at 31 March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs)

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Sundry creditors	93,000	Cash in hand	8.700
Loan from wife	57,000	Land and building	90,000
		Stock	25,000
		Furniture	1,300
		Capital (balancing figure)	25,000
	1,50,000		1,50,000

Statement of profit or loss as at 31 march 2017

Particulars	Amount(Rs.)
Capital as on March 31, 2017	(25,000)
Add: drawings during the year (note 2)	33,000
	8,000
Less: additional capital	(50,000)
less: capital as on April 01, 2016	(18,900)
Loss during the year	(60,900)

Working note : 1.

Statement of affairs as at April 01, 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Sundry creditors	45,000	Cash in hand	7,500
Loan from wife	66,000	Stock	34,000
Bank overdraft	25,000	Sundry debtors	22,500
Capital (balancing figure)	18,900	Land and building	89,600
		Furniture	1,300
	1,54,900		1,54,900

2. calculation of drawings during the year
Drawings = 1,500 x 7 + 4,500 x 5 = 33,000

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Q13 Krishna Kulkarni has not kept proper books of accounts prepare the statement of profit or loss for the year ending March 31, 2016 from the following information :

April 01, 2016 March 31, 2017

	Rs.	Rs.
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 were made :

(a) Krishna withdrew cash Rs. 5,000 per month for private use.
(b) Depreciation @ 5% on car and furniture @ 10%.
(c) Outstanding rent Rs. 6,000.
(d) Fresh capital introduced during the year Rs. 30,000.

Answer. In the books of Krishna Kulkarni

Statement of profit or loss as at March 31, 2017

Particulars	Amount (Rs.)
Capital as on March 31, 2017	3,35,200
Add: drawings made during the year	60,000
	3,95,200
Less: additional capital introduced	(30,000)
Less: capital as on April 01, 2016	(2,24,000)
Profit for the year	1,41,200

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Working note :

Statement of affairs as at April 01, 2016

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	10,000	Cash in hand	10,000
Bills payable	4,000	Debtors	20,000
Capital (balancing figure)	2,24,000	Bills receivable	20,000
		Stock	40,000
		Furniture	8,000
		Investment	40,000
		Bank balance	1,00,000
	2,38,000		2,38,000

Statement of affairs as at March 31, 2017

Liabilities	Amount(Rs.)	Assets		Amount(Rs.)
Creditors	46,000	Cash in hand		36,000
Bills payable	42,000	Debtors		80,000
Outstanding rent	6,000	Bills receivable		24,000
Capital (balancing figure)	3,35,200	Car	80,000	
		Less: depreciation	4,000	76,000
		Stock		30,000
		Furniture	48,000	
		Less: depreciation	4,800	43,200
		Investment		50,000
		Bank balance		90,000
	4,29,200			4,29,200

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Q14 M/s Saniya Sports Equipment does not keep proper records. From the following information find out profit or loss and also prepare balance sheet for the year ended March 31, 2017

	March 31,2016	March 31, 2017
	Rs.	Rs.
Cash in hand	6,000	24,000
Bank overdraft	30,000	—
Stock	50,000	80,000
Sundry creditors	26,000	40,000
Sundry debtors	60,000	1,40,000
Bills payable	6,000	12,000
Furniture	40,000	60,000
Bills receivable	8,000	28,000
Machinery	50,000	1,00,000
Investment	30,000	80,000

Drawings Rs. 10,000 p.m. for personal use, fresh capital introduced during the year Rs. 2,00,000. A bad debts of Rs. 2,000 and a provision of 5% is to be made on debtors, outstanding salary Rs. 2,400, prepaid insurance Rs. 700, depreciation charged on furniture and machine @ 10% p.a.

Answer. In the books of M/s Saniya Sports Equipment

Statement of affairs as at March 31, 2017

Liabilities	Amount(Rs.)	Assets		Amount(Rs.)
Sundry creditors	40,000	Cash in hand		24,000
Bills payable	12,000	Stock		80,000
Outstanding salary	2,400	Prepaid insurance		700
Capital (balancing figure)	4,33,400	Sundry debtors	1,40,000	
		Less: bad debts	2,000	
		Less: provision	6,900	1,31,100
		Furniture	60,000	54,000
		Less: depreciation	6,000	28,000
		Bills receivable		
		Machinery	1,00,000	90,000
		Less: depreciation	10,00	80,000
		Investment		
	4,87,800			4,87,800

Statement of profit or loss as at March 31, 2017

Particulars	Amount(Rs.)
Capital as on March 31, 2017	4,33,400
Add: drawings made during the period	1,20,000
	5,53,400
Less: additional capital introduced	(2,00,000)
Less: capital as on March 31, 2016	(1,82,000)
Profit for the year	1,71,400

Working Note :

Statement of affairs as at march 31, 2016

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)

Bank overdraft	30,000	Cash in hand	6,000
Creditors	26,000	Stock	50,000
Bills payable	6,000	Sundry debtors	60,000
Capital (balancing figure)	1,82,000	Furniture	40,000
		Bills receivable	8,000
		Machinery	50,000
		Investment	30,000
	2,44,000		2,44,000

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Q15 From the following information calculate the amount to be paid to creditors :

	Rs.
Sundry creditors as on March 31, 2017	1,80.425
Discount received	26,000
Discount allowed	24,000
Return outwards	37,200
Return inwards	32,200
Bill accepted	1,99,000
Bill endorsed to creditors	26,000
Creditors as on April 01, 2016	2,09,050
Total purchases	8,97,000
Cash purchases	1,40,000

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Answer.

Dr. Total creditors' account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
31.03.17	To discount received	26,000	01.04.16	By balance b/d	1,80,425
	To return outwards	37,200	31.03.17	By credit purchase	7,57,000
	To bills accepted	1,99,000		(8,97,000	
	To bills receivable (bill endorsed)	26,000		–1,40,000)	
	To cash/bank A/c (balancing figure)	4,40,175			
	To balance c/d	2,09,050			
		9,37,425			9,37,425

Cash paid to creditors = Rs. 4,40,175.

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Q16 Find out the credit purchases from the following :

	Rs.
Balance of creditors April 01, 2016	45,000
Balance of creditors March 31, 2017	36,000
Cash paid to creditors	1,80,000
Cheque issued to creditors	60,000
Cash purchases	75,000
Discount received from creditors	5,400
Discount allowed	5,000
Bills payable give to creditors	12,750
Return outwards	7,500
Bills payable dishonoured	3,000
Bills receivable endorsed to creditors	4,500
Bills receivable endorsed to creditors dishonoured	1,800
Return inwards	3,700

Answer.

Dr. Total creditors' account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
31.03.17	To cash	1,80,000	01.04.16	By balance b/d	45,000
	To bank	60,000	31.03.17	By bills payable (dishonoured)	3,000
	To discount received	5,400		By bills receivable (bill dishonoured)	1,800
	To bills payable	12,750		To credit purchases (balancing figure)	2,56,350
	To return outwards	7,500			
	To bills receivable (bill endorsed)	4,500			
	To balance c/d	36,000			
		3,06,150			3,06,150

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Q17 From the following information calculate total purchases .

	Rs.
Creditors April 01, 2016	30,000
Creditors March 31, 2017	20,000
Opening balance of bills payable	25,000
Closing balance of bills payable	35,000
Cash paid to creditors	1,51,000
Bills discharged	44,500
Cash purchases	1,29,000
Return outwards	6,000

Answer.

Dr. Total creditors' account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
31.03.18	To cash	1,51,000	01.04.16	By balance b/d	30,000
	To return outwards	6,000	31.03.17	By credit purchase	2,01,500
	To bills discharged	54,500		(balancing figure)	
	To balance c/d	20,000			
		2,31,500			2,31,500

Total purchases = cash purchase + credit purchase

Total purchase = 1,29,000 + 2,01,500 = Rs. 3,30,500

Working note :

Dr. Bills payable account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
31.03.17	To cash	44,500	01.04.16	By balance b/d	25,000
	To balance c/d	35,000	31.03.17	By creditor's A/c	54,500
		79,500			79,500

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Q18 The following information is given

	Rs.
Opening creditors	60,000
Cash paid to creditors	30,000
Closing creditors	30,000
Return inwards	13,000
Bill matured	27,000
Bill dishonoured	8,000

Purchases return	12,000
Discount allowed	5,000

Calculate credit purchases during the year.

Answer.

Dr. Total creditors' account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
31.03.17	To cash	30,000	01.04.16	By balance b/d	60,000
	To purchase return	12,000	31.03.17	By bill dishonoured	8,000
	To bill matured	27,000		By credit purchase	37,000
	To balance c/d	36,000		(balancing figure)	
		1,05,000			1,05,000

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Q19 From the following calculate the amount of bills accepted during the year.

	Rs.
Bills payable as on April 01, 2016	1,80,000
Bills payable as on March 31, 2017	2,20,000
Bills payable dishonoured during the year	28,000
Bills payable honoured during the year	50,000

Answer.

Dr. Bills payable account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
31,03,17	To cash	50,000	01.04.16	By balance b/d	1,80,000
	To creditors	28,000	31.03.17	By creditors	1,18,000
	To balance c/d	2,20,000		(balancing figure)	
		2,98,000			2,98,000

Amount of bill accepted during the year = Rs. 2,98,000.

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Q20 Find the amount of bill matured during the year on the basis of the information given below:

	Rs.
Bills payable dishonoured	37,000
Closing balance of bills payable	85,000

Opening balance of bills payable	70,000
Bills payable accepted	90,000
Cheque dishonoured	23,000

Answer.

Dr. Bills payable account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To creditors (dishonoured)	37,000	By balance b/d	70,000
To bank (balancing figure)	38,000	By creditors (bill accepted)	90,000
To balance c/d	85,000		
	1,60,000		1,60,000

Amount of bill matured during the year = Rs. 38,000.

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Q21 Prepare the bills payable account from the following and find out missing figure if any:

	Rs.
Bills accepted	1,05,000
Discount received	17,000
Purchase returns	9,000
Return inwards	12,000
Cash paid top accounts payable	50,000
Bills receivable endorsed to creditors	45,000
Bills dishonoured	17,000
Bad debts	14,000
Balance of accounts payable (closing)	85,000
Credit purchases	2,15,000

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Answer.

Dr. Bills payable account Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To creditors (bills dishonoured)	17,000	By creditors (accepted)	1,05,000
To bank A/c (balancing figure)	88,000		
	1,05,000		1,05,000

Dr. Total creditors' account Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To discount received	17,000	By credit purchases	2,15,000
To purchase returns	9,000	By bills payable (bills dishonoured)	17,000
To bills receivable (endorsed)	45,000	By balance b/d (balancing figure)	79,000
To cash	50,000		
To bills payable (accepted)	1,05,000		
To balance c/d	85,000		
	3,11,000		3,11,000

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Q22 Calculate the amount of bills receivable during the year.

	Rs.
Opening balance of bills receivable	75,000
Bills dishonoured	25,000
Bills collected (honoured)	1,30,000
Bills receivable endorsed to creditors	15,000
Closing balance of bills receivable	65,000

Answer.

Dr. Bills receivable account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To balance b/d	75,000	By debtors (bill dishonoured)	25,000
To debtors (balancing figure)	1,60,000	By cash (honoured)	1.30,000
		By creditors (endorsed)	15,000
		By balance c/d	65,000
	2,35,000		2,35,000

Amount of bill receivables received during the year = Rs. 1,60,000.

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Q23 calculate the amount of bills receivable dishonoured from the following information.

	Rs.
Opening balance of bills receivable	1,20,000

Bills collected (honoured)	1,85,000
Bills receivable endorsed	22,800
Closing balance of bills receivable	50,700
Bills receivable received	1,50,000

Answer.

Dr. Bills receivable account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To balance b/d	1,20,000	By debtors (bill collected)	1,85,000
To debtors (bills received)	1,50,000	By creditors (bills endorsed)	22,800
		By debtors (balancing figure- dishonoured)	11,500
		By balance c/d	50,700
	2,70,000		2,70,000

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Q24 From the details given below, find out the credit sales and total sales.

	Rs.
Opening debtors	45,000
Closing debtors	56,000
Discount allowed	2,500
Sales return	8,500
Irrecoverable amount	4,000
Bills receivable received	12,000
Bills receivable dishonoured	3,000
Cheque dishonoured	7,700
Cash sales	80,000
Cash received from debtors	2,30,000
Cheque received from debtors	25,000

Answer.

Dr. Total debtors account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)

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To balance b/d	45,000	By discount allowed	2,500
To bill receivable (bills dishonoured)	3,000	By sales return	8,500
		By bills receivable (received)	12,000
To bank (cheque dishonoured)	7,700	By cash	2,30,000
		By bank	25,000
To credit sales (balancing figure)	2,82,300	By bad debts	4,000
		By balance c/d	56,000
	3,38,000		3,38,000

Total sales = cash sales + credit sales
Total sales = 80,000 + 2,82,300 =Rs. 3,62,300

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Q25 From the following information, prepare bills receivable account and total debtors account for the year ended March 31, 2017.

	Rs.
Opening balance of debtors	1,80,000
Opening balance of bills receivable	55,000
Cash sales made during the year	95,000
Credit sales made during the year	14,50,000
Return inwards	78,000
Cash received from debtors	10,25,000
Discount allowed to debtors	55,000
Bills receivable endorsed to creditors	60,000
Cash received (bills matured)	80,500
Irrecoverable amount	10,000
Closing balance of bills receivable on March 31, 2017	75,500

Answer.

Dr. Bills receivable account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To balance b/d	55,000	By cash (bills matured)	80,500
To debtors (balancing figure)	1,61,000	By creditors (endorsed)	60,000
		By balance c/d	75,500
	2,16,000		2,16,000

Dr. Total debtors' account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To balance b/d	1,80,000	By return inwards	78,000
To credit sales	14,50,000	By cash	10,25,000
		By discount allowed	55,000
		By bad debts	10,000
		By bills receivable (bills accepted)	1,61,000
			3,01,000
	16,30,000		16,30,000

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Q26 Prepare the suitable accounts and find out the missing figure if any.

Opening balance of debtors	14,00,000
Opening balance of bills receivable	7,00,000
Closing balance of bills receivable	3,50,000
Cheque dishonoured	27,000
Cash received from debtors	10,75,000
Cheque received and deposited in the bank	8,25,000
Discount allowed	37,500
Irrecoverable amount	17,500
Returns inwards	28,000
Bills receivable received from customers	1,05,000
Bills receivable matured	2,80,000
Bills discounted	65,000
Bills endorsed to creditors	70,000

Answer.

Dr. Debtors' account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)

To balance b/d	14,00,000	By cash	10,75,000
To bank (dishonoured)	27,000	By bank	8,25,000
To bills receivable (dishonoured)	40,000	By discount allowed	37,500
		By bad debts	17,500
To credit sales (balancing figure)	6,21,000	By return inwards	28,000
		By bills receivable	1,05,000
	20,88,000		20,88,000

Dr. Bills receivable account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To balance b/d	7,00,000	By cash (bill matured)	2,80,000
To debtors (received)	1,05,000	By bank (discounted)	65,000
		By creditors (endorsed)	70,000
		By balance c/d	3,50,000
		By debtors (balancing figure)	40,000
	8,05,000		8,05,000

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Q27 From the following information ascertain the opening balance of sundry debtors and closing balance of sundry creditors

	Rs.
Opening stock	30,000
Closing stock	25,000
Opening creditors	50,000
Closing debtors	75,000
Discount allowed by creditors	1,500
Discount allowed to customers	2,500
Cash paid to creditors	1,35,000
Bills payable accepted during the period	30,000
Bills receivable received during the period	75,000
Cash received from customers	2,20,000
Bills receivable dishonoured	3,500
Purchases	2,95,000

The rate of gross profit is 25% on selling price and out of the total sales Rs. 85,000 was for cash sales.

Answer.

Dr. Debtors account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To balance b/d (balancing figure)	54,000	By discount allowed	2,500
		By bills receivable	75,000
To bills receivable (dishonoured)	3,500	(received)	
		By cash	2,20,000
To credit sales	3,15,000	By balance c/d	75,000
	3,72,500		3,72,500

Dr. Creditors account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To discount received	1,500	By balance b/d	50,000
To cash	1,35,000	By credit purchases	2,95,000
To bills payable (accepted)	30,000		
To balance c/d (balancing figure)	1,78,500		
	3,45,000		3.45.000

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Working note :

Cost of goods sold = opening stock +purchases –closing stock

= 30,000 + 2,95,000 -25,000 = Rs. 3,00,000

Let sales be 100%

Therefore, cost of goods sold = 75 % (100-25)

Sales = cost of goods sold + gross profit

Sales = 3,00,000 + 1,00,000 = Rs. 4,00,000

Total sales = credit sales + cash sales

4,00,000 = 85,000 + credit sales

Credit sales = 4,00,000 – 85,000 = Rs. 3,15,000.

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Q28 Mrs. Bhavana keeps his books by Single Entry System. You’re required to prepare final accounts of her business for the year ended March 31, 2017. Her records relating to cash receipts and cash payments for the above period showed the following particulars :

Dr. Summary of cash Cr.

Receipts	Amount(Rs.)	Payments	Amount(Rs.)
Opening balance of cash	12,000	Paid to creditors	53,000
Further capital	20,000	Business expenses	12,000
Received from debtors	1,20,000	Wages paid	30,000
		Bhavana's drawings	15,000
		Balance of bank as on March 31, 2017	35,000
		Cash in hand	7,000
	1,52,000		1,52,000

The following information is also available :

	April 01, 2016	March 31, 2017
	Rs.	Rs.
Debtors	55,000	85,000
Creditors	22,000	29,000
Stock	35,000	70,000
Plant	10,00,000	1,00,000
Machinery	50,000	50,000
Land & Building	2,50,000	2,50,000
Investment	20,000	20,000

All her sales and purchases were on credit. Provide depreciation on plant and building by 10% and machinery by 5%, make a provision for bad debts by 5%.

Answer. In the Books of Mrs. Bhavana

Trading and Profit and Loss Account

Dr. as on March 31, 2017 Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	35,000	By sales	1,50,000
To purchases	60,000	By closing stock	70,000
To wages	30,000		
To gross profit c/d	95,000		
To business expenses		By gross profit b/d	
To depreciation :	2,20,000		2,20,000
Plant 10,000			
Building 25,000			
Machine 2,500			
To provision for doubtful debts			
To net profit (transferred to capital)			

	12,000		95,000
	37,500		
	4,250		
	41,250		
	95,000		95,000

Balance sheet
As at March 31, 2017

Liabilities		Amount(Rs.)	Assets		Amount(Rs.)
Creditors		29,000	Cash in hand		7,000
Capital	5,00,000		Cash at bank		35,000
Less: drawing	(15,000)		Stock		70,000
	4,85,000		Investment		20,000
Add: net profit	41,250		Debtors	85,000	
Add; future capital	20,000	5,46,250	Less: provision	4,250	80,750
			Plant	1,00,000	
			Less: depreciation	10,000	90,000
			Machinery	50,000	
			Less: depreciation	2,500	47,500
			Building	2,50,000	
			Less: depreciation	25,000	2,25,000
		5,75,250			5,75,250

Working note: 1.

Dr. Debtors' account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)

To balance b/d	55,000	By cash	1,20,000
To credit sales(balancing figure)	1,50,000	By balance c/d	85,000
	2,05,000		2,05,000

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Dr. Creditors' account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To cash	53,000	By balance b/d	22,000
To balance c/d	29,000	By credit purchases (balancing figure)	60,000
	82,000		82,000

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Statement of affairs as on March 31, 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	22,000	Cash	12,000
Capital (balancing figure)	5,00,000	Stock	35,000
		Debtors	55,000
		Investment	20,000
		Plant	1,00,000
		Machinery	50,000
		Land and building	2,50,000
	5,22,000		5,22,000

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