

NCERT SOLUTIONS

CLASS - 11th



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Class : 11th
Subject : Accountancy
Chapter : 9
Chapter Name : Financial Statements – 1

Q1 What are the objectives of preparing financial statements?

Answer. The basic objectives of preparing financial statements are :

- To present a true and fair view of the financial performance of the business
- To present a true and fair view of the financial position of the business

Page : 352 , Block Name : Short Answers

Q2 What is the purpose of preparing trading and profit and loss account?

Answer. Trading and Profit and Loss account shows the financial performance in terms of profit earned or loss sustained during an accounting period. It is also known as income statement. It is basically a summary of revenue and expenses of the business and calculate the net figure termed as profit or loss.

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Q3 Explain the concept of cost of goods sold?

Answer. Cost of goods sold is the expenses incurred to make the purchases turn into sales.

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

When there is no opening or closing stock, the total of purchase and direct expenses is taken as cost of goods sold.

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Q4 What is a balance sheet? What are its characteristics?

Answer. Balance sheet shows the financial position in the form of assets, liabilities and capital, at a given date.

Characteristics :-

- Balance sheet is prepared on the basis of trial balance and additional information. The assets reflect the debit balances and liabilities (including capital) reflects credit balances.
- It is prepared at the end of the accounting period after the trading and profit and loss account has been prepared, they are together known as final accounts.
- It is called a balance sheet because it is a statement of balances of ledger accounts that has not been transferred to trading and profit and loss account and are to be carried forward to the next year.
- The total of the two sides of the balance sheet must be equal i.e., $\text{Assets} = \text{Liabilities} + \text{Capital}$.

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Q5 Distinguish between capital and revenue expenditure and state whether the following statements are items of capital or revenue expenditure :

- (a) Expenditure incurred on repairs and whitewashing at the time of purchase of an old building in order to make it usable.
- (b) Expenditures incurred to provide one or more exit in a cinema hall in compliance with a government order.
- (c) Registration fees paid at the time of purchase of a building
- (d) Expenditure incurred in the maintenance of a tea garden which will produce tea after four years.
- (e) Depreciation charged on a plant.
- (f) The expenditure incurred in erecting a platform on which a machine will be fixed.
- (g) Advertising expenditure, the benefits of which will last for four years .

Answer. Following are the points of distinction between capital and revenue expenditure :

- Capital expenditure is the expense incurred for procuring fixed assets to be used for long periods. Revenue expenditure is incurred for the day to day activities of the business that last only for one accounting period.
- Revenue expenditure matches with the revenue receipts of the accounting period, capital expenditure does not match with any receipt.
- Revenue expenditure is generally recurring expenditure and capital expenditure is non-recurring expenditure.

Classification of expenses into capital and revenue expenditure :

(a) Expenditure incurred on repairs and whitewashing at the time of purchase of an old building in order to make it usable.- It is a capital expenditure, any expense incurred at the time of purchase of an asset is taken as capital expenditure.

(b) Expenditures incurred to provide one or more exit in a cinema hall in compliance with a government order. – it is a capital expenditure as it is non-recurring expenditure.

(c) Registration fees paid at the time of purchase of a building – it is a capital expenditure as it is incurred at the time of purchase and is non-recurring expenditure.

(d) Expenditure incurred in the maintenance of a tea garden which will produce tea after four years.- it is a revenue expenditure as it is recurring expenditure and is incurred to maintain/ensure the earning of the enterprise.

(e) Depreciation charged on a plant – it is revenue expenditure as it is recurring in nature

(f) The expenditure incurred in erecting a platform on which a machine will be fixed. – It is capital expenditure as it is non-recurring and fixed expenditure.

(g) Advertising expenditure, the benefits of which will last for four years . – It is a capital expenditure as it is non-recurring expenditure.

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Q6 What is an operating profit?

Answer. The profit earned by normal operations and activities of the business is known as operating profit. It is the excess of operating revenue over operating expenses. Income and expenses of financial nature are not taken into account while calculating operating profit.

Operating profit = net profit + non-operating expenses – non-operating incomes

Q1 What are financial statements? What information do they provide?

The basic objectives of preparing financial statements are :

- The firm prepares Trading and Profit and Loss account and Balance sheet. The Trading and Profit and Loss account shows the financial performance in the form of profit earned or loss sustained by the business. The balance sheet shows the financial position in the form of assets, liabilities and capital.

Q2 What are closing entries? Give four examples of closing entries.

- Opening stock account, purchases account, wages account, carriage inwards account, and direct expenses account are closed by transferring to the debit side to the trading and profit and loss account –

Dr.

To purchases A/c

- The purchase returns or return outwards are closed by transferring its balance to the purchases account. Following entry is recorded –

Purchase return A/c	Dr.
To purchases A/c	
- The sales return or return inwards account is closed by transferring its balance to the sales account –

Sales A/c	Dr.
To sales return A/c	
- The sales account is closed by transferring its balance to the credit side of the trading and profit and loss account

Sales A/c	Dr.
To Trading A/c	

Q3 Discuss the need for preparing a balance sheet.

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Answer. Preparation and presentation of the financial statements is a matter of concern for the organisations. The information provided should be useful for the users that is why, it is

necessary that the items appearing in the balance sheet are properly grouped and presented in a particular order.

Grouping of assets and liabilities : The items in the balance sheet can be properly grouped. The term grouping means putting together items of similar nature under a common heading. For example, the balance of accounts of cash, bank, debtors, etc. can be grouped and shown under the heading of ‘current assets’ and the balances of all fixed assets and long-term investment under the heading of ‘non-current assets’.

Marshalling of assets and liabilities : In a balance sheet, the assets and liabilities are arranged either in the order of liquidity or permanence. Arrangement of assets and liabilities in a particular order is known as marshaling.

In case of permanence, the most permanent asset or liability is put on the top in the balance sheet and there after the assets are arranged in their reducing level of permanence.

In case of liquidity, the order is reversed. The information presented in this manner would enable the user to have a good idea about the life of the various accounts. The assets account of the relatively permanent nature would continue in the business for a longer time whereas the less permanent or more liquid accounts will change their forms in near future and are likely to become cash or cash equivalent.

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Q1 From the following balances taken from the books of Simmi and Vimmi Ltd. for the year ending March 31, 2017, calculate the gross profit.

	(Rs.)
Closing stock	2,50,000
Net sales during the year	40,00,000
Net purchases during the year	15,00,000
Opening stock	15,00,000
Direct expenses	80,000

Answer.

Trading Account

Dr. For the year ending 31st march 2017 Cr.

Particulars	Amount	Particulars	Amount
To opening stock	15,00,000	By sales	40,00,000
To purchases	15,00,000	By closing stock	2,50,000
To direct expenses	80,000		
To gross profit (balancing figure)	11,70,000		
	42,50,000		42,50,000

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Q2 From the following balances extracted from the books of M/s Ahuja and Nanda. Calculate the amount of :

- (a) Cost of goods available for sale
- (b) Cost of goods sold during the year
- (c) Gross profit

	(Rs)
Opening stock	25,000
Credit purchases	7,50,000
Cash purchases	3,00,000
Credit sales	12,00,000
Cash sales	4,00,000
Wages	1,00,000
Salaries	1,40,000
Closing stock	30,000
Sales return	50,000
Purchases return	10,000

Answer.

- (a) Cost of goods available for sale = credit purchase + cash purchases + opening stock + wages - purchase return
Cost of goods available for sale = 7,50,000 + 3,00,000 + 25000 + 1,00,000 - 10,000
Cost of goods available for sale = Rs. 11,65,000
- (b) Cost of goods sold = Cost of goods available for sale – closing stock
Cost of goods sold = 11,65,000 – 30,000
Cost of goods sold = Rs.11,35,000
- (c) Gross profit = credit sales + cash sales – sales return – cost of goods sold
Gross profit = 12,00,000 + 4,00,000 – 50,000 – 11,35,000
Gross profit = Rs. 4,15,000

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Q3 Calculate the amount of gross profit and operating profit on the basis of the following balances extracted from the books of M/s Rajiv and Sons for the year ended March 31, 2017.

	Rs
Opening stock	50,000
Net sales	11,00,000
Net purchases	6,00,000
Direct expenses	60,000
Administration expenses	45,000

Selling and distribution expenses	65,000
Loss due to fire	20,000
Closing stock	70,000

Answer.

Gross profit = net sales + closing stock – net purchases – opening stock – direct expenses

Gross profit = 11,00,000 + 70,000 – 6,00,000 – 50,000 – 60,000

Gross profit = Rs. 4,60,000

Operating profit = Gross profit – administration expenses – selling and distribution expenses

Operating profit = 4,60,000 – 45,000 – 65,000

Operating profit = Rs. 3,50,000

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Q4 Operating profit earned by M/s Arora & Sachdeva in 2016-17 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.

Answer. Net profit = Operating profit + non-operating income – non-operating expenses

Net profit = 17,00,000 + 1,50,000 – 3,75,000

Net profit = Rs. 14,75,000

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Q5 The following are the extracts from the trial balance of M/s Bhola & sons as on March 31,2014.

Account title	Debit	Credit
Opening stock	2,00,000	
Purchases	8,10,000	
Sales		10,10,000
	10,10,000	10,10,000

(only relevant items)

Closing stock as on date was valued at Rs. 3,00,000.

You are required to record the necessary journal entries and show how the above items will appear in the trading and profit and loss account and balance sheet of M/s Bhola & sons.

Answer.

Journal Entries

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
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2014	Trading A/c	Dr.		10,10,000	
31	To Opening stock A/c				2,00,000
march	To Purchases A/c				8,10,000
	(being balance from purchases and stock account transferred to the trading account)				
31				10,10,000	
march				3,00,000	
	Sales A/c	Dr.			13,10,000
	Closing Stock A/c	Dr.			
	To Trading A/c				
	(Being balance from sales and closing stock transferred to trading account)				
31				3,00,000	
march					3,00,000
	Trading A/c	Dr.			
	To Profit and loss A/c				
	(Being gross profit transferred to profit and loss account)				

M/s Bhola and Sons			
Trading Account			
Dr.	For the year ending 31 st march 2014		Cr.
Particular	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	2,00,000	By sales	10,10,000
To purchases	8,10,000	By closing stock	3,00,000
To gross profit c/d	3,00,000		
	13,10,000		13,10,000

Balance Sheet			
As at 31 st March,2014			
Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Closing stock	3,00,000

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Q6 Prepare trading and profit and loss account and balance sheet as on Mar 31, 2017 :

Account title	Amount(Rs.)	Account title	Amount(Rs.)
Machinery	27,000	Capital	60,000
Sundry debtors	21,600	Bills payable	2,800
Drawings	2,700	Sundry creditors	1,400
Purchases	58,500	Sales	73,500
Wages	15,000		
Sundry expenses	600		
Rent and taxes	1,350		
Carriage inwards	450		
Bank	4,500		
Opening stock	6,000		

Closing stock as on March 31, 2017 Rs. 22,400.

Answer.

Trading and Profit and Loss Account

Dr. For the year ending 31st March 2017 Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	6,000	By sales	73,500
To purchases	58,500	By closing stock	22,400
To wages	15,000		
To carriage inwards	450		
To gross profit c/d	15,950		
		By gross profit b/d	
To rent and taxes			
To sundry expenses	95,900		95,900
To net profit (transferred to capital account)	1,350		15,950
	600		
	14,000		
	15,950		15,950

Balance Sheet

As at march 31, 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
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Sundry creditors	1,400	Bank	4,500
Bills payable	2,800	Closing stock	22,400
Capital	60,000	Sundry debtors	21,600
Less : drawings	2,700	Machinery	27,000
	57,300		
Add : net profit	<u>14,000</u>		
	71,300		
	75,500		75,500

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Q7 The following trial balance is extracted from the books of M/s Ram on March 31, 2017. You are required to prepare trading and profit and loss account and the balance sheet as on date :

Account title	Amount(Rs.)	Account title	Account(Rs.)
Debtors	12,000	Apprenticeship premium	5,000
Purchases	50,000	Loan	10,000
Coal, gas and water	6,000	Bank overdraft	1,000
Factory wages	11,000	Sales	80,000
Salaries	9,000	Creditors	13,000
Rent	4,000	Capital	20,000
Discount	3,000		
Advertisement	500		
Drawings	1,000		
Loan	6,000		
Petty cash	500		
Sales return	1,000		
Machinery	5,000		
Land and building	10,000		
Income tax	100		
Furniture	9,900		

Answer.

Trading and Profit and Loss Account
For the year ending 31st March 2017

Dr.

Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To purchases	50,000	By sales	80,000
To factory wages	11,000	Less: sales return	<u>1,000</u>
To coal, gas and water	6,000		79,000
To gross profit c/d	12,000		
To salaries	79,000	By gross profit b/d	79,000

To rent		By apprenticeship premium	
To discount	9,000		12,000
To advertisement	4,000		5,000
To net profit (transferred to capital)	3,000		
	500		
	500		
	17,000		17,000

Balance Sheet
As at 31st March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	13,000	Petty cash	500
Bank overdraft	1,000	Loan	6,000
Loan	10,000	Debtors	12,000
Capital	20,000	Machinery	5,000
Less: income tax	100	Land and building	10,000
	19,900	Furniture	9,900
Less : drawings	1,000		
	18,900		
Add : net profit	<u>500</u>		
	19,400		
	43,400		43,400

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Q8 The following id the trial balance of Manju Chawla on March 31, 2017. You are required to prepare trading and profit and loss account and a balance sheet as on date :

Account title	Debit amount (Rs.)	Credit amount (Rs.)
Opening stock	10,000	
Purchases and sales	40,000	80,000
Returns	200	600
Productive wages	6,000	
Dock and clearing charges	4,000	
Donation and charity	600	
Delivery van expenses	6,000	
Lighting	500	

Sales tax collected		1,000
Bad debts	600	
Misc. incomes		6,000
Rent from tenants		2,000
Royalty	4,000	
Capital		40,000
Drawings	2,000	
Debtors and creditors	6,000	7,000
Cash	3,000	
Investment	6,000	
Patents	4,000	
Land and machinery	43,000	

Closing stock Rs. 2,000.

Answer.

Trading and Profit and Loss Account

Dr.

For the year ending 31st March, 2017

Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	10,000	By sales	80,000
To purchases	40,000	Less : returns	<u>200</u>
Less: returns	<u>600</u>	By closing stock	
To productive wages	6,000		79,800
To dock and clearing charges	4,000		2,000
To royalty	4,000		
To gross profit c/d	18,400		
To donation and charity		By gross profit b/d	
To delivery van expenses	81,800	By rent from tenants	81,800
To lighting		By misc. incomes	
To bad-debts	600		18,400
To net profit (transferred to capital)	6,000		2,000
	500		6,000
	600		
	18,700		
	26,400		26,400

Balance Sheet
As at 31st march, 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	7,000	Cash	3,700
Sales tax collected	1,000	Debtors	6,000
Capital	40,000	Closing stock	2,000
Less: drawings	2,000	Patents	4,000
	38,000	Investments	6,000
Add: net profit	18,700	Land and machinery	43,000
	56,700		
	64,700		64,700

*note: there is a trial balance error of Rs. 700 , the cash balance is taken as Rs. 3700 instead of Rs. 3,000 as given in the balance sheet.

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Q9 The following is the trial balance of Mr. Deepak as on March 31, 2017. You are required to prepare trading account, profit and loss account and a balance sheet as on date :

Account title	Debit amount(Rs.)	Account title	Credit amount(Rs.)
Drawings	36,000	Capital	2,50,000
Insurance	3,000	Bills payable	3,600
General expenses	29,000	Creditors	50,000
Rent and taxes	14,400	Discount received	10,400
Lighting (Factory)	2,800	Purchase return	8,000
Travelling expenses	7,400	Sales	4,40,000
Cash in hand	12,600		
Bills receivable	5,000		
Sundry debtors	1,04,000		
Furniture	16,000		
Plant and machinery	1,80,000		
Opening stock	40,000		
Purchases	1,60,000		
Sales return	6,000		
Carriage inwards	7,200		
Carriage outwards	1,600		
Wages	84,000		
Salaries	53,000		

Closing stock Rs. 35,000

Answer. In the books of Mr. Deepak
Trading and Profit and Loss Account
Dr. For the year ending 31st march 2017

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
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To opening stock	40,000	By sales	4,40,000	
To purchases 1,60,000		Less : return	<u>6,000</u>	4,34,000
Less : return <u>8,000</u>	1,52,000	By closing stock		35,000
To wages	84,000			
To carriage inwards	7,200			
To factory lighting	2,800			
To gross profit c/d	1,83,000			
To salaries		By gross profit b/d		
To carriage outwards		By discount received		
To insurance	4,69,000			4,69,000
To general expenses	53,000			1,83,000
To rent and taxes	1,600			10,400
To travelling expenses	3,000			
To net profit (transferred to capital)	29,000			
	14,400			
	7,400			
	85,000			
	1,93,400			1,93,400

Balance Sheet
As at 31st march,2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	50,000	Cash in hand	12,600
Bills payable	3,600	Debtors	1,04,000
Capital 2,50,000		Bills receivable	5,000
Less : drawings 36,000		Closing stock	35,000
	2,14,000	Furniture	16,000
Add : net profit <u>85,000</u>	2,99,000	Plant and machinery	1,80,000
	3,52,600		3,52,600

Q10 Prepare trading and profit and loss account and balance sheet from the following particulars as on March 31,2017.

Account title	Debit amount(Rs.)	Credit amount (Rs.)
Purchases and sales	3,52,000	5,60,000
Return inwards and return outwards	9,600	12,000
Carriage inwards	7,000	
Carriage outwards	3,360	
Fuel and power	24,800	
Opening stock	57,600	
Bad debts	9,950	
Debtors and creditors	1,31,200	48,000
Capital		3,48,000
Investments	32,000	
Interest on investments		3,200
Loan		16,000
Repairs	2,400	
General expenses	17,000	
Wages and salaries	28,800	
Land and building	2,88,000	
Cash in hand	32,000	
Miscellaneous receipts		160
Sales tax collected		8,350

Closing stock Rs. 30,000.

Answer.

Trading and Profit and Loss Account

Dr. For the year ending 31st March 2017 Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	57,600	By sales	5,60,000
To purchases 3,52,000		Less: return inwards <u>9,600</u>	5,50,400
Less: return outwards <u>12,000</u>	3,40,000	By closing stock	30,000
To wages and salaries	28,800		
To carriage inwards	7,000		
To fuel and power	24,800		
To gross profit c/d	1,22,200		
To carriage outwards			
To repairs			
To general expenses	5,80,400		5,80,400
To bad debts			
To net profit (transferred to capital)			

	3,360 2,400 17,000 9,950 92,850	By gross profit b/d By interest on investment By miscellaneous receipts	1,22,200 3,200 160
	125,560		125,560

Balance Sheet
As at 31st march 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	48,000	Cash in hand	32,000
Loan	16,000	Closing stock	30,000
Sales tax collected	8,350	Debtors	1,31,200
Capital 3,48,000		Investment	32,000
Add : net profit <u>92,850</u>	4,40,850	Land and building	2,88,000
	5,13,200		5,13,200

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Q11 From the following trial balance of Mr. A. Lal, prepare trading, profit and loss account and balance sheet as on March 31, 2017.

Account title	Debit amount (Rs.)	Credit amount (Rs.)
Stock as on April 01, 2016	16,000	
Purchases and sales	67,600	1,12,000
Return inwards and outwards	4,600	3,200
Carriage inwards	1,400	
General expenses	2,400	
Bad debts	600	
Discount received		1,400
Bank overdraft		10,000
Interest on bank overdraft	600	
Commission received		1,800
Insurance and taxes	4,000	
Scooter expenses	200	
Salaries	8,800	
Cash in hand	4,000	

Scooter	8,000	
Furniture	5,200	
Building	65,000	
Debtors and creditors	6,000	16,000
Capital		50,000

Closing stock Rs. 15,000.

Answer. In the books of Mr. A. Lal
Trading and Profit and Loss Account
For the year ending 31st March 2017

Dr.		Cr.	
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	16,000	By sales 1,12,000	
To purchases 67,600		Less: return inwards <u>4,600</u>	1,07,400
Less: return outwards <u>3,200</u>	64,400	By closing stock	15,000
To carriage inwards	1,400		
To gross profit c/d	40,600		
		By gross profit c/d	
To salaries		By discount received	1,22,400
To general expenses	1,22,400	By commission received	
To bad debts			
To interest on bank overdraft	8,800		40,600
To insurance and taxes	2,400		1,400
To scooter expenses	600		1,800
To Net profit (transferred to capital)	600		
	4,000		
	200		
	27,200		
	43800		43,800

Balance Sheet
As at 31st March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	16,000	Cash in hand	4,000
Bank overdraft	10,000	Closing stock	15,000
Capital 50,000		Debtors	6,000
Add: net profit <u>27,200</u>	77,200	Scooter	8,000
		Furniture	5,200
		Building	65,000
	1,03,200		1,03,200

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Q12 Prepare trading and profit and loss account and balance sheet of M/s Royal Traders from the following balances as on March 31, 2017.

Debit balances	Rs.	Credit balances	Rs.
Stock	20,000	Sales	2,45,000
Cash	5,000	Creditors	10,000
Bank	10,000	Bills payable	4,000
Carriage on purchases	1,500	Capital	2,00,000
Purchases	1,90,000		
Drawings	9,000		
Wages	55,000		
Machinery	1,00,000		
Debtors	27,000		
Postage	300		
Sundry expenses	1,700		
Rent	4,500		
Furniture	35,000		

Closing stock Rs. 8,000

Answer.

In the books M/s. Royal Traders

Trading and Profit and Loss Account

Dr. For the year ending 31st march 2017 Cr.

Particulars	Amount (Rs.)	Particulars	Amount (R.s)
To opening stock	20,000	By sales	2,45,000
To purchases	1,90,000	By closing stock	8,000
To carriage on purchases	1,500	By gross loss c/d	13,500
To wages	55,000		
To gross loss b/d		By net loss (transferred to capital)	
To postages	2,66,500		2,66,500
To sundry expenses	13,500		20,000
To rent	300		
	1,700		
	4,500		
	20,000		20,000

Balance sheet As at 31 st March 2017			
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	10,000	Cash	5,000
Bills payable	4,000	Bank	10,000
Capital 2,00,000		Closing stock	8,000
Less: drawings 9,000		Debtors	27,000
1,91,000		Machinery	1,00,000
Less: net loss <u>20,000</u>	1,71,000	Furniture	35,000
	1,85,000		1,85,000

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Q13 Prepare trading and profit and loss account from the following particulars of M/s Neema Traders as on March 31, 2017.

Account title	Debit amount (Rs.)	Account title	Credit amount (Rs.)
Buildings	23,000	Sales	1,80,000
Plants	16,930	Loan	8,000
Carriage inwards	1,000	Bills payable	2,520
Wages	3,300	Bank overdraft	4,720
Purchases	1,64,000	Creditors	8,000
Sales return	1,820	Capital	2,36,000
Opening stock	9,000	Purchases return	1,910
Machinery	2,10,940		
Insurance	1,610		
Interest	1,100		
Bad debt	250		
Postages	300		
Discount	1,000		
Salaries	3,000		
Debtors	3,900		

Stock on March 31, 2017 Rs, 16,000.

Answer. In the books of M/s. Neema Traders
Trading and Profit and Loss Account
For the year ending 31st March 2017

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount(Rs.)
To opening stock	9,000	By sales	1,80,000
To purchases	1,64,000	Less: returns	<u>1,820</u>
Less: returns	<u>1,910</u>	By closing stock	16,000
To carriage inwards	1,000		
To wages	3,300		
To Gross profit c/d	18,790		
		By gross profit b/d	
To salaries			
To insurance	1,94,180		1,94,180
To interest	3,000		18,790
To bad debts	1,610		
To postage	1,100		
To discount	250		
To net profit (transferred to capital)	300		
	1,000		
	11,530		
	18,790		18,790

Balance sheet
As at 31st March 2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	8,000	Closing stock	16,000
Bills payable	2,520	Debtors	3,900
Loan	8,000	Machinery	2,10,940
Bank overdraft	4,720	Buildings	23,000
Capital	2,36,000	Plant	16,930
Add: net profit	<u>11,530</u>		
	2,47,530		
	2,70,770		2,70,770

Q14 From the following balances of M/s Nilu Sarees as on March 31, 2017. Prepare trading and profit and loss account and balance sheet as on date.

Account title	Amount (Rs.)	Account title	Amount (Rs.)
Opening stock	10,000	Sales	2,28,000
Purchases	78,000	Capital	70,000
Carriage inwards	2,500	Interest	7,000
Salaries	30,000	Commission	8,000
Commission	10,000	Creditors	28,000
Wages	11,000	Bills payable	2,370
Rent and taxes	2,800		
Repairs	5,000		
Telephone expenses	1,400		
Legal charges	1,500		
Sundry expenses	2,500		
Cash in hand	12,000		
Debtors	30,000		
Investment	90,000		
Machinery	60,000		
Drawings	18,000		

Closing stock as on March 31, 2017 Rs. 22,000.

Answer. In the books of M/s. Nilu Sarees
Trading and profit and loss account
Dr. For the year ending 31st march 2017

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	10,000	By sales	2,28,000
To purchases	78,000	By closing stock	22,000
To carriage inwards	2,500		
To wages	11,000		
To gross profit c/d	1,48,500		
To salaries		By gross profit b/d	
To commission	2,50,000	By interest	2,50,000
To rent and taxes		By commission	
To repairs			
To telephone expenses			
To legal charge			
To sundry expense			
To net profit (transferred to capital)			

	30,000		1,48,500
	10,000		7,000
	2,800		8,000
	5,000		
	1,400		
	1,500		
	2,500		
	1,10,300		
	163,500		1,63,500

Balance sheet
As at 31st March 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	28,000	Cash in hand	12,000
Bills payable	23,700	Debtors	30,000
Capital 70,000		Closing stock	22,000
Less: drawings 18,000		Machinery	60,000
52,000		Investments	90,000
Add: net profit <u>1,10,300</u>	1,62,300		
	2,14,000		2,14,000

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Q15 Prepare trading and profit and loss account of M/s Sports Equipments for the year ended March 31, 2017 and the balance sheet as on that date :

Account title	Debit amount (Rs.)	Credit Amount (Rs.)
Opening stock	50,000	
Purchases and sales	3,50,000	4,21,000
Sales return	5,000	
Capital		3,00,000
Commission		4,000
Creditors		1,00,000
Bank overdraft		28,000
Cash in hand	32,000	

Closing stock as on March 31, 2017 Rs. 2,500.

In the books of M/s. Sports Equipment Trading and Profit and Loss Account
For the year ending 31st March 2017

Cr.

Aglasem Schools

Balance sheet
As at 31st march 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	1,00,000	Cash in hand	32,000
Bank overdraft	28,000	Debtors	1,40,000
Capital	3,00,000	Closing stock	2,500
Less: drawings	24,000	Furniture	1,28,000
	2,76,000	Plants	60,000
Less: net loss	<u>41,500</u>		
	2,34,500		
	3,62,500		3,62,500

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