

NCERT SOLUTIONS

CLASS - 11th



aglasem.com

Class : 11th
Subject : Accountancy
Chapter : 10
Chapter Name : Financial Statements II

Q1 Why is it necessary to record the adjusting entries in the preparation of final accounts?

Answer. Adjustments becomes necessary in respect of certain incomes received in advance or those which have accrued but are still to be received. Apart from this, there are certain items which are not recorded on day-to-day basis such as depreciation on fixed assets, interest on capital, etc. These are adjusted at the time of preparing financial statements. The purpose of making various adjustments is to ensure that the final accounts reveal the true profit or loss and the true financial position of the business.

Page : 410 , Block Name : Short Answers

Q2 What is meant by closing stock? Show its treatment in final accounts.

Answer. The closing stock represents the cost of unsold goods lying in the stores at the end of the accounting period. The adjustment with regard to the closing stock is done by (i) by crediting it to the trading and profit and loss account, and (ii) by showing it on the asset side of the balance sheet.

Page : 410 , Block Name : Short Answers

Q3 State the meaning of :

- (a) Outstanding expenses
- (b) Prepaid expenses
- (c) Income received in advance
- (d) Accrued income

Answer.

- (a) Outstanding expenses : When expenses of an accounting period remain unpaid at the end of an accounting period, they are termed as outstanding expenses. As they relate to the earning of revenue during the current accounting year, it is logical that they should be duly charged against revenue for computation of the correct amount of profit or loss.
- (b) Prepaid expenses : There are several items of expense which are paid in advance in the normal course of business operations. At the end of the accounting year, it is found that the benefits of such expenses have not yet been fully received; a portion of its benefit would be received in the next accounting year. This portion of expense, is carried forward to the next year and is termed as prepaid expenses.
- (c) Income received in advance : Sometimes, a certain income is received but the whole amount of it does not belong to the current period. The portion of the income which belongs to the next accounting period is termed as income received in advance or an Unearned Income.
- (d) Accrued income : certain items of income such as interest on loan, commission, rent, etc. are earned during the current accounting year but have not been actually received by the end of the same year. Such incomes are known as accrued income.

Page : 410 , Block Name : Short Answers

Q4 Give the proforma of income statement and balance in vertical form.

Answer.

Income statement for the year ended

Particulars	Amount	Amount
Sales		
Less: sales return		
Net sales		
Cost of goods sold		
Opening stock		
Purchases		
Less: purchase return		
Carriage inwards		

	Wages		
	Cost of goods available for sale		
Less: closing stock			
	Gross profit		
Operating expenses			
Selling expenses			
	Advertising		
	Discount		
	Allowances		
	Bad debts and provision		
	Carriage outwards		
	Total selling expenses		
General and administrative expenses			
	Salaries		
	Rent and rates		
	Insurance		
	Depreciation		
	Postage		
	Repairs		
	General expenses		
	Total operating expense		
	Net Income from operations		
	(operating profit)		
Other income (non operating gains)			
	Interest earned		
	Commission earned		
	Profit on sale of fixed assets		
Less: deductions (non operating expenses)			
	Interest paid		
	Loss by fire		
	Net non-operating gains		
	Net Income (Net Profit)		

Balance sheet as at

Particulars	Amount	Amount
Current Assets		
Cash in hand		
Cash at bank		
Bills receivable		
Accrued income		

Debtors		
Stock		
Prepaid expenses		
Total Current Assets	_____	
Less: Current Liabilities		
Bank overdraft		
Outstanding expenses		
Bills payable		
Trade creditors		
Income received in advance		
Total Current Liabilities		
Net Working Capital (Current assets and current liabilities)	_____	
Fixed assets		
Furniture and fixtures		
Patents		
Plant and machinery		
Building		
Land		
Goodwill		
Total Fixed Assets	_____	
Total assets (after paying current liabilities)		_____
Capital employed		
Long term liabilities		
Loan		
Mortgage		
Total long term liabilities	_____	_____
Net Assets (being the difference between total assets and long term liabilities)		_____
Capital (Proprietor)		
Capital in the beginning		
Add: capital introduced during the current year		
Interest on capital		
Profit for the current year		
Less: drawings during the current year		
Interest on drawings		
Loss for the current year		
Total capital of the proprietor		

at the end of the year		
------------------------	--	--

Page : 410 , Block Name : Short Answers

Q5 Why is it necessary to create a provision for doubtful debts at the time of preparation of final accounts?

Answer. It is possible that the whole amount of the debtors may not be realised in future. However, it is not possible to accurately know the amount of such bad debts. Hence, we make a reasonable estimate of such loss and provide the same. Such provision is called provision for bad debts and is created by debiting the profit and loss account.

Page : 410 , Block Name : Short Answers

Q6 What adjusting entries would you record for the following :

- (a) Depreciation
- (b) Discount on debtors
- (c) Interest on capital
- (d) Manager’s commission

Answer.

(a) Depreciation : adjustment journal entry -

Depreciation A/c	Dr.
To Fixed Assets A/c	

The depreciation amount is debited to the Profit and loss account and deducted from the amount of the fixed asset in the balance sheet.

(b) Discount on debtors : adjustment journal entry –

Profit and Loss A/c	Dr.
To Discount on debtors A/c	

The discount amount is debited to the Profit and loss account and deducted from the debtors account balance in the balance sheet.

(c) Interest on capital : adjustment journal entry –

Interest on capital A/c	Dr.
To Capital A/c	

This is shown as an expense on the debit side of the profit and loss account and added to the capital in the balance sheet.

(d) Manager’s commission : adjustment journal entry –

Profit and Loss A/c	Dr.
To Manager’s commission A/c	

It is debited to the profit and loss account and recorded on the liabilities side of the balance sheet.

Q7 What is meant by provision for discount on debtors?

Answer. A business enterprise allows discount to its debtors to encourage prompt payments. Discount likely to be allowed to customers in an accounting year can be estimated and provided for by creating a provision for discount on debtors. Provision for discount is made on good debtors which are arrived at by deducting further bad debts and the provision for doubtful debts.

Page : 410 , Block Name : Short Answers

Q8 Give journal entries for the following adjustments :

- (a) Outstanding salary Rs. 3,500
- (b) Rent unpaid for one month at Rs. 6,000 per annum
- (c) Insurance prepaid for a quarter at Rs. 16,000 per annum.
- (d) Purchase of furniture costing Rs. 7,000 entered in purchase book.

Answer.

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

(a)	Outstanding salary Salaries A/c Dr. To Outstanding salary A/c (being adjustment entry of outstanding salary passed)		3,500	3,500
(b)	Rent unpaid for one month Rent A/c Dr. To Outstanding rent A/c (being rent outstanding for a month, adjusted)		500	500
(c)	Insurance prepaid for a quarter Prepaid Insurance A/c Dr. To Insurance A/c (being insurance paid in advance)		4,000	4,000
(d)	Purchase of furniture entered in purchase book Furniture A/c Dr. To Purchases A/c (being purchase of furniture entered in purchase book)		7,000	7,000

Q1 What are adjusting entries? Why are they necessary for preparing final accounts?

Answer. According to accrual concept of accounting, the profit or loss for an accounting year is not based on the revenues realised in cash and the expenses paid in cash during that year. There may exist some receipts and expenses in the current year which partially relate to the previous year or the next year. Also, there may be income and expenses relating to the current year that still need to be brought into the books of account.

Adjustments becomes necessary in respect of certain incomes received in advance or those which have accrued but are still to be received. Apart from this, there are certain items which are not recorded on day-to-day basis such as depreciation on fixed assets, interest on capital, etc. These are adjusted at the time of preparing financial statements. The purpose of making various adjustments is to ensure that the final accounts reveal the true profit or loss and the true financial position of the business.

Page : 411 , Block Name : Long Answers

Q2 What is meant by provision for doubtful debts? How are relevant accounts prepared and what journal entries are recorded in final accounts? How is the amount for provision for doubtful debts created?

Answer. It is possible that the whole amount of the debtors may not be realised in future. However, it is not possible to accurately know the amount of such bad debts. Hence, we make a reasonable estimate of such loss and provide the same. Such provision is called provision for bad debts and is created by debiting profit and loss account.

Journal entry for this is :

Profit and Loss A/c	Dr.
To Provision for Doubtful Debts A/c	

Treatment of Provision for Doubtful Debts in the final accounts can be explained with the help of an example : let us assume that A feels that 5% of his debtors balance Rs. 15,000 are likely to default on their payments next year, this implies bad debts of Rs. 750 (5% of 15,000).

The following adjustment entry will be passed:

Profit and Loss A/c	Dr.	750	
To provision for doubtful debts A/c			750

Adjustment in the final accounts :

Trading and Profit and Loss Account

Dr.	For the year ending		Cr.
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To provision for doubtful debts	750		

Balance sheet

As at

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Debtors 15,000	
		Less: provision for doubtful debts 750	14,250

The amount of provision is debited to the profit and loss account and deducted from the debtors account balance in the balance sheet.

Page : 410 , Block Name : Long Answers

Q3 Show treatment of prepaid expenses, depreciation, closing stock at the time of preparation of final accounts when :

- (a) When given inside the trial balance?
- (b) When given outside the trial balance?

Answer.

- Prepaid expense
 - (a) When given inside the trial balance : It is recorded on the asset side of the balance sheet only, it has already been adjusted with the concerned expense.
 - (b) When given outside the trial balance :

Dr.		Profit and loss account for the year ending		Cr.
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)	
To concerned expense				
Less: prepaid expense				

Balance sheet As at			
Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Prepaid expense	

- Depreciation
 - (a) When given inside the trial balance : the amount of depreciation is debited to the profit and loss account only, it has already been adjusted with the value of the asset.
 - (b) When given outside the trial balance :

Dr.		Profit and loss account for the year ending		Cr.
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)	
To depreciation A/c				

Balance sheet

As at			
Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Fixed asset Less: depreciation	

- Closing stock
 - (a) When given inside the trial balance : It is shown on the asset side of the balance sheet only, it has already been adjusted with the purchases account.
 - (b) When given outside the trial balance :

Trading account			
Dr.		For the year ending	
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
		By closing stock	

Balance sheet			
As at			
Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Closing Stock	

Page : 411 , Block Name : Long Answers

Q1 Prepare a trading and profit and loss account for the year ending March 31, 2017, from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet at the end of the year.

Account title	Amount(Rs.)	Account title	Amount(Rs.)
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for doubtful debts	2,500
Sales return	3,000	Capital	3,00,000
Sundry debtors	82,000	Bills payable	22,000
Discount allowed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent, rates and taxes	4,300	Loan	34,800
Fixtures and fittings	20,000		
Trade expenses	1,500		
Bad debts	2,000		

Drawings	32,000		
Repairs and Renewals	1,600		
Travelling expenses	4,200		
Postages	300		
Telegram expense	200		
Legal fees	500		
Bills receivable	50,000		
Building	1,10,000		

Adjustments :

1. Commission received in advance Rs. 1,000
2. Rent receivable Rs. 2,000
3. Salary outstanding Rs. 1,000 and insurance prepaid Rs. 800
4. Further bad debts Rs. 1,000 and provision for doubtful debts @ 5% on debtors and discount on debtors @ 2%.
5. Closing stock Rs. 32,000
6. Depreciation on building @ 6% p.a.

Answer.

In the books of M/s Rahul sons
Trading and Profit and Loss Account
For the year ending March 31, 2017

Dr.

Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	50,000	By sales	1,80,000
To purchases	1,75,000	Less: return	<u>3,000</u>
Less: returns	<u>2,000</u>	By closing stock	32,000
To wages	3,000	By gross loss c/d	17,000
To gross loss b/d		By discount received	
To salary	8,000	By commission received	4,000
Add: outstanding salary	<u>1,000</u>	less: advance	<u>1,000</u>
To discount allowed		By rent	6,000
To insurance	3,200	Add: rent receivable	<u>2,000</u>
Less: prepaid insurance	<u>800</u>	By net loss (transferred to capital)	
To rent rates and taxes			8,000
To trade expenses	2,400		43,189
To bad debts	2,000		
Add: further bad debt	<u>1,000</u>		
	3,000		
Less: old provision	<u>2,500</u>		
	500		
Add: new provision	<u>4,050</u>		
To discount on debtors			
To repairs and renewals	4,550		
To travelling expense	1,539		
To postage	1,600		
To telegram expense	4,200		
To legal fees	300		

To depreciation on building	200		
	500		
	6,600		
	54,689		
			54,689

Balance sheet
As at 31st March 2017

Liabilities		Amount(Rs.)	Assets		Amount(Rs.)
Outstanding salaries		1,000	Prepaid insurance		800
Advance commission		1,000	Rent receivable		2,000
Bill payable		22,000	Debtors	82,000	
Loan		34,800	Less: further bad debts	<u>1,000</u>	
Capital	3,00,000			81,000	
Less: drawings	<u>32,000</u>		Less: provision for	<u>4,050</u>	
	2,68,000		doubtful debts		
Less: net loss	<u>43,189</u>	2,24,811		76,950	
			Less: discount on debtors	<u>1,539</u>	75,411
			Closing stock		32,000
			Bills receivable		50,000
			Fixtures and fittings		20,000
			Building	1,10,000	
			Less: depreciation	<u>6,600</u>	1,03,400
		2,83,611			2,83,611

Page : 411 , Block Name : Numerical Questions

Q2 Prepare a trading and profit and loss account of M/s Green Club Ltd. for the year ending March 31, 2017 from the following figures taken from this trial balance :

Account title	Amount(Rs.)	Account title	Amount(Rs.)
---------------	-------------	---------------	-------------

3,71,900	

machinery @ 5% p.a.
500, discount on debtors @ 5% and

Answer.

Trading and Profit and Loss Account

For the year ending 31st March 2017

Cr.

f 43 Aglasem Schools

500	3,500
<u>500</u>	
500	
<u>910</u>	
ery	
	3,410
	2,280
	1,000
	52,565

Balance sheet

As at 31st March 2017

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

	1,57,565

Numerical Questions

has been extracted from the trial balance of

Numerical Questions

has been extracted from the trial balance of the company and the profit and loss account and a balance sheet as follows:

Amount(Rs.)	Account title
1,50,000	Sales
50,000	Return outwards
2,000	Interest received
4,500	Discount received
77,800	Creditors
60,800	Bills payable
2,400	capital

Lighting charges	500		
Telephone charges	100		
Carriage outwards	400		
Motor car	25,000		
	4,89,440		4,89,440

Adjustments:

- 1. Further bad debts Rs. 1,000. Discount on debtors Rs. 500 and make a provision on debtors @ 5%.
- 2. Interest received on investment @ 5%.
- 3. Wages and interest outstanding Rs. 100 and Rs. 200 respectively.
- 4. Depreciation charged on motor car @ 5% p.a.
- 5. Closing stock Rs. 32,500.

Answer. In the books of M/s Runway Shine Ltd.

Trading and profit and Loss Account

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

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	50,000	By sales	2,50,000
To purchases 1,50,000		Less: return	<u>2,000</u>
Less: return outwards <u>4,500</u>	1,45,500	By closing stock	32,500
To wages 2,400			
Add: outstanding wages <u>100</u>	2,500		
To carriage inwards	4,500		
To gross profit c/d	78,000		
To carriage outwards		By gross profit b/d	
To printing and stationery		By discount received	
To discount	2,80,500	By interest received	3,500
To bad debts 1,500		Add: accrued interest on	
Add: further bad debt <u>1,000</u>		investment	<u>1,600</u>
	2,500		
Add: provision on debtor <u>2,600</u>			
To discount on debtors			
To insurance			
To postage and telegraph			
To commission			
To interest 1,000			
Add: outstanding repair <u>200</u>			
To repair			
To lighting charges			
To telephone charges			
To depreciation on motor car			
To net profit (transferred to capital)			

	60,010
	83,500

Balance sheet
As at 31t March 2017

Liabilities		Amount(Rs.)	Assets		Amount(Rs.)
Wages outstanding		100	Cash in hand		77,800
Interest outstanding		200	Cash at bank		60,800
Creditors		1,25,000	Closing stock		32,500
Bills payable		6,040	Accrued interest on investment		1,600
Capital	1,00,000		Debtors	53,000	
Add: net profit	<u>66,010</u>	1,66,010	Less: further bad debts	<u>1,000</u>	
				52,000	
			Less: provision on debtor	<u>2,600</u>	
				49,400	
			Less: discount on debtors	<u>500</u>	48,900
			Bills receivable		20,000
			Investment		32,000
			Motor car	25,000	

		Less: depreciation <u>1,250</u>	23,750
	2,97,350		2,97,350

Page : 413 , Block Name : Numerical Questions

Q4 From the following Trial balance, you are required to prepare trading and profit and loss account for the year ending March 31, 2017 and balance sheet as on that date.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
Opening stock	25,000	Sales	7,00,000
Furniture	16,000	Creditors	72,500
Purchases	5,55,300	Bank overdraft	50,000
Carriage inwards	4,700	Provision for bad and doubtful debts	2,100
Bad debts	1,800	Discount	500
Wages	52,000	Capital	2,00,000
Debtors	80,000	Purchases return	20,000
Sales return	15,000		
Rent	24,000		
Miscellaneous expenses	3,400		
Salaries	68,000		
Cash	8,900		
Drawings	14,000		
Building	1,60,000		
Advertising	10,000		
Interest on bank overdraft	7,000		

Adjustments :

- 1. Closing stock valued at Rs. 36,000
- 2. Private purchases amounting to Rs.5,000 debited to purchases account.
- 3. Provision for doubtful debts @ 5% on debtors
- 4. Sign board costing Rs. 4,000 included in advertising
- 5. Depreciate furniture by 10%

Answer.

Trading and Profit and Loss Account

Dr.	For the year ending 31 st March 2017		Cr.
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)

000	
after	
e	3,700
	6,000
	7,000
	2,000
	1,12,700

As at March 31, 2017

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

Creditors	72,500	Cash	8,900
Bank overdraft	50,000	Closing stock	36,000
Capital	2,00,000	Debtors	80,000
Less: drawing	<u>14,000</u>	Less: provision for	<u>4,000</u>
	1,86,000	debtors	76,000
Less: purchases	<u>5,000</u>	Furniture	16,000
	1,81,000	Add: sign board	<u>4,000</u>
Less: net loss	<u>4,600</u>		20,000
	1,76,400	Less depreciation	<u>2,000</u>
		Building	18,000
			1,60,000
	2,98,900		2,98,900

Page : 414 , Block Name : Numerical Questions

Q5 From the following information prepare trading and profit and loss account of M/s Indian sports house for the year ending March 31, 2017.

Account title	Amount(Rs.)	Account title	Amount(Rs.)
Drawings	20,000	Capital	2,00,000
Sundry debtors	80,000	Return outwards	2,000
Bad debts	1,000	Bank overdraft	12,000
Trade expenses	2,400	Provision for bad debts	4,000
Printing and stationery	2,000	Sundry creditors	60,000
Rent rates and taxes	5,000	Bills payable	15,400
Freight	4,000	Sales	2,76,000
Return inwards	7,000		
Opening stock	25,000		
Purchases	1,80,000		
Furniture and fixtures	20,000		
Plant and machinery	1,00,000		
Bills receivable	14,000		
Wages	10,000		
Cash in hand	6,000		
Discount allowed	2,000		
Investments	40,000		
Motor car	51,000		
	5,69,400		5,69,400

Adjustments :

1. Closing stock was Rs.45,000.
2. Provision for doubtful debts is to be maintained @ 2% on debtors.

- 3. Depreciation charged on : furniture and fixtures @5%, plant and machinery @6% and motor car @ 10%.
- 4. A machine of Rs. 30,000 was purchased on October 01,2016.
- 5. The manager is entitled to a commission of @10% of the net profit after charging such commission.

Answer. In the books of Indian Sports house
Trading and Profit and Loss Account
Dr. For the year ending March 31, 2017

Dr.		Cr.	
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	25,000	By sales	2,76,000
To purchases	1,80,000	Less: returns	<u>7,000</u>
Less: returns	<u>2,000</u>	By closing stock	45,000
To wages	10,000		
To gross profit c/d	1,01,000		
		By gross profit b/d	
To trade expenses		By old provision for doubtful	
To rent rates and taxes	3,14,000	debts	4,000
To printing and stationery	2,400	Less: bad debts	1,000
To freight	5,000	Less: new provision	<u>1,600</u>
To discount allowed	2,000		
To depreciation:	4,000		
Furniture and fixtures	1,000		
Plant and machinery	5,100		
Motor car	<u>5,100</u>		
To manager's commission			
To net profit (transferred to capital)	11,200		
	6,891		
	68,909		
	1,02,400		1,02,400

Balance sheet
As at March 31, 2017

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

3,43,200

tion on plant and machinery
 rth Rs. 70,000 for one year @ 6%
 of Rs. 30,000 for 6 months @ 6%
 Total depreciation
 's commission
 this commission = 75,800
 profit before commission * percentage

1. Calculation of depreciation on plant and machinery

Add depreciation on machine of Rs. 30,000 for 6 months @ 6%	900
---	-----

Total depreciation	5,100
--------------------	-------

2. Calculation of manager's commission

net profit before commission * percentage of commission Manager's

$$\text{commission} = \frac{\text{net price}}{100 + \text{percentage of commission}}$$

Page : 415 , Block Name : Numerical Questions

Q6 Prepare the trading and profit and loss account and a balance sheet of M/s Shine Ltd. from the following particulars.

	4,81,310	

valued Rs. 35,000
 ed on furniture and fixture @ 5%.
 Rs. 1,000. Make provision for bad debts @ 5%.
 ed on motor car @ 10%.
 @ 6%
 es was outstanding Rs. 200.

1. Closing stock was valued Rs. 35,000
2. Depreciation charged on furniture and fixture @ 5%.
3. Further bad debts Rs. 1,000. Make provision for bad debts @5% on sundry debtors.
4. Depreciation charged on motor car @ 10%.
5. Interest on drawing @ 6%
6. Rent, rates and taxes was outstanding Rs. 200.
7. Discount on debtors 2%.

In the books of M/s Shine Ltd
Trading and profit and loss account
For the year ending 31st March 2017

Dr.

43

	43,056	

Balance sheet
As at 31st march 2017

Amount(Rs.)	Assets
-------------	--------

	43,056	

Balance sheet
As at 31st march 2017

Amount(Rs.)	Assets
-------------	--------

	43,056	

Balance sheet
As at 31st march 2017

Amount(Rs.)	Assets
-------------	--------

Q7 Following balances have been extracted from the trial balance of M/s Keshav Electronics Ltd. You are required to prepare the trading and profit and loss account and a balance sheet as on March 31, 2017.

[illegible]

1. Stock on March 31, 2017 was Rs. 30,000.
2. Depreciation is to be charged on building at 5% and on motor van at 10%.
3. Provision for doubtful debts is to be maintained at 5% on sundry debtors.
4. Unexpired insurance was Rs. 600.
5. The manager is entitled to a commission @ 5% on net profit after charging such commission.

Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	2,26,000	By sales	6,80,000
To purchases 4,40,000		Less: return inwards <u>10,000</u>	6,70,000
Less: return outwards <u>15,000</u>	4,25,000	By closing stock	30,000
To freight inwards	3,400		
To heat and power	7,000		
To gross profit c/d	37,600		
		By gross profit b/d	
To salary and wages		By interest received	7,00,000
To trade expense	7,00,000		
To legal expense			
To postage and telegram	5,000		37,600
To bad debts	3,300		20,000
To provision for doubtful debts	3,000		
To insurance 3,500	1,000		
Less: unexpired insurance <u>600</u>	6,500		
To depreciation:	1,250		
Building 5,000			
Motor van <u>3,000</u>	2,900		
To O/S manager's commission			
To net profit (transferred to capital)	8,000		
	1,269		
	25,381		
	57,600		57,600

Balance sheet

As at March 31, 2017

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

Creditors	50,000	Cash in hand	79,000
Bills payable	63,700	Cash at bank	98,000
Capital	3,50,000	Prepaid insurance	600
Less: drawings	<u>75,000</u>	Closing stock	30,000
	2,75,000	Sundry debtors	25,000
Add: net profit	<u>25,381</u>	Less: provision	<u>1,250</u>
Outstanding manager's commission	1,269	Investments	40,000
		Buildings	1,00,000
		Less: depreciation	<u>5,000</u>
		Motor van	30,000
		Less: depreciation	<u>3,000</u>
		Machinery	22,000
	4,15,350		4,15,350

Page : 417 , Block Name : Numerical Questions

Q8 From the following balances extracted from the books of Raga Ltd. prepare a trading and profit and loss account for the year ending March 31, 2017 and a balance sheet as on that date.

Account title	Amount(Rs.)	Account title	Amount(Rs.)
Drawings	20,000	Sales	2,20,000
Land and buildings	12,000	Capital	1,10,110
Plant and machinery	40,000	Discount	1,260
Carriage inwards	100	Apprenticeship premium	5,230
Wages	500	Bills payable	1,28,870
Salary	2,000	Purchases return	10,000
Sales return	200		
Bank charges	200		
Coal, gas and water	1,200		
Purchases	1,50,000		
Trade expenses	3,800		
Stock (opening)	76,800		
Cash at bank	50,000		
Rates and taxes	870		
Bills receivable	24,500		
Sundry debtors	54,300		
Cash in hand	30,000		
	4,66,470		4,66,470

The additional information is as under :

1. Closing stock was valued at the end of the year Rs. 20,000

- 2. Depreciation on plant and machinery charged at 5% and land and building at 10%.
- 3. Discount on debtors at 3%.
- 4. Make a provision at 5% on debtors for doubtful debts.
- 5. Salary outstanding was Rs. 100 and wages prepaid was Rs. 40.
- 6. The manager is entitled to a commission of 5% of net profit after charging such commission.

Answer. In the books of Raga Ltd.
Trading and Profit and Loss Account
For the year ending March 31, 2017

Dr.		Cr.	
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	76,800	By sales	2,20,000
To purchases	1,50,000	Less: return	<u>200</u>
Less: returns	<u>10,000</u>	By closing stock	20,000
To wages	500		
Less: prepaid wages	<u>40</u>		
To carriage inwards	100		
To coal gas and water	1,200		
To gross profit c/d	21,240		
		By gross profit b/d	
To salary	2,000	By apprentice premium	
Add: outstanding salary	<u>100</u>	By discount	
To bank charges			
To trade expense	2,39,800		2,39,800
To rates and taxes			
To provision on debtors	2,100		21,240
To discount on debtors	200		5,230
To depreciation :	3,800		1,260
Plant and machinery	2,000		
Land and building	<u>1,200</u>		
To O/s manager's commission	1,548		
To net profit (transferred to capital)			
	3,200		
	633		
	12,664		
	27,730		27,730

Balance sheet

As at 31st march 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Bills payable	1,28,870	Cash in hand	30,000
Outstanding salary	100	Cash at bank	50,000
Outstanding manager's commission	633	Closing stock	20,000
Capital	1,01,110	Prepaid wages	40
Less: drawings	20,000	Bills receivable	24,500
	81,110	Sundry debtors	54,300
Add: net profit	12,664	Less: provision	2,715
	93,774	Less: discount on debtors	1,548
		Land and building	12,000
		Less: depreciation	1,200
		Plant and machinery	40,000
		Less: depreciation	2,000
			38,000
	2,23,377		2,23,377

Page : 418 , Block Name : Numerical Questions

Q9 From the following balances of M/s Jyoti Exports, prepare trading and profit and loss account for the year ended March 31, 2017 and balance sheet as on this date.

Account title	Amount(Rs.)	Account title	Amount(Rs.)
Sundry debtors	9,600	Sundry creditors	2,500
Opening stock	22,800	Sales	72,670
Purchases	34,800	Purchases return	2,430
Carriage inwards	450	Bills payable	15,600
Wages	1,770	Capital	42,000
Office rent	820		
Insurance	1,440		
Factory rent	390		
Cleaning charges	940		
Salary	1,590		
Building	24,000		
Plant and machinery	3,600		
Cash in hand	2,160		
Gas and water	240		
Octroi	60		
Furniture	20,540		
Patents	10,000		
	1,35,200		1,35,200

Closing stock Rs.10,000.

- 1. To provision for doubtful debts is to be maintained at 5 percent on sundry debtors.
- 2. Wages amounting to Rs.500 and salary amounting to Rs. 350 are outstanding.
- 3. Factory rent prepaid Rs. 100.
- 4. Depreciation charged on Plant and machinery @ 5% and Building @ 10%
- 5. Outstanding insurance Rs.100.

Answer. In the books of M/s Jyoti Exports
Trading and profit and loss account
For the year ending March 31, 2017

Dr.		Cr.	
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	22,800	By sales	72,670
To purchases 34,800		By closing stock	10,000
Less: return <u>2,430</u>	32,370		
To wages 1,770			
Add: outstanding wages <u>500</u>	2,270		
To factory rent 390			
Less: prepaid rent <u>100</u>	290		
To carriage inwards	450		
To gas and water	240		
To octroi	60		
To cleaning charges	940		
To gross profit c/d	23,250		
To salary 1,590		By gross profit b/d	
Add: outstanding salary <u>350</u>			
To office rent			
To insurance 1,440	82,670		82,670
Add:outstanding insurance <u>100</u>			
To provision for doubtful debts			23,250
To depreciation :			
Plant and machinery 180	1,940		
Building <u>2,400</u>	820		
To net profit (transferred to capital)	1,540		
	480		
	2,580		
	15,890		

	23,250		23,250

Balance sheet
As at march 31, 2017

Liabilities		Amount(Rs.)	Assets		Amount(Rs.)
Outstanding wages		500	Cash in hand		2,160
Outstanding salary		350	Prepaid factory rent		100
Outstanding insurance		100	Closing stock		10,000
Sundry creditors		2,500	Sundry debtors	9,600	
Bills payable		15,600	Less: provision	<u>480</u>	9,120
Capital	42,000		Building	24,000	
Add: net profit	<u>15,890</u>	57,890	Less: depreciation	<u>2,400</u>	21,600
			Plant and machinery	3,600	
			Les: depreciation	<u>180</u>	3,420
			Furniture		20,540
			patents		10,000
		76,940			76,940

*in NCERT book the net profit is Rs. 15,895 and balance sheet total Rs. 76,945. But according to the solution net profit is Rs. 15,890 and balance sheet total is Rs. 76,940.

Page : 419 , Block Name : Numerical Questions

Q10 the following balances have been extracted from the books of M/s Green House for the year ended March 31, 2017, prepare trading and profit and loss account and balance sheet as on this date.

Account title	Amount(Rs.)	Account title	Amount(Rs.)
Purchases	80,000	Capital	2,10,000
Bank balance	11,000	Bills payable	6,500
Wages	34,000	Sales	2,00,000
Debtors	70,300	Creditors	50,000
Cash in hand	1,200	Return outwards	4,000
Legal expenses	4,000		
Building	60,000		
Machinery	1,20,000		
Bills receivable	7,000		

Office expenses	3,000		
Opening stock	45,000		
Gas and fuel	2,700		
Freight and carriage	3,500		
Factory lighting	5,000		
Office furniture	5,000		
Patent right	18,800		
	4,70,500		4,70,500

Adjustments :

- (a) Machinery is depreciated at 10% and building depreciated at 6%.
- (b) Interest on capital @ 4%.
- (c) Outstanding wages Rs. 50.
- (d) Closing stock Rs. 50,000.

Answer. In the books of M/s Green house
Trading and profit and loss account
For the year ending March 31, 2017

Dr.		Cr.	
Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To opening stock	45,000	By sales	2,00,000
To purchases 80,000		By closing stock	50,000
Less: return outwards <u>4,000</u>	76,000		
To wages 34,000			
Add: outstanding wages <u>50</u>	34,050		
To gas and fuel	2,700		
To freight and carriage	3,500		
To factory lighting	5,000		
To gross profit c/d	83,750		
		By gross profit b/d	
To legal expense			
To office expense			
To depreciation :			
Machinery 12,000	2,50,000		2,50,000
Building <u>3,600</u>	4,000		83,750
To interest on capital	3,000		
To net profit (transferred to capital)			
	15,600		
	8,400		
	52,750		
	83,750		83,750

Balance sheet
As at 31st march 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Outstanding wages	50	Cash in hand	1,200
Creditors	50,000	Bank balance	11,000
Bills payable	6,500	Debtors	70,300
Capital	2,10,000	Bills receivable	7,000
Add: interest on capital	8,400	Closing stock	50,000
Add: net profit	<u>52,750</u>	Office furniture	5,000
	2,71,150	Patent rights	18,800
		Building	60,000
		Less: depreciation	<u>3,600</u>
			56,400
		Machinery	1,20,000
		Less; depreciation	<u>12,000</u>
			1,08,000
	3,27,700		3,27,700

Page : 420 , Block Name : Numerical Questions

Q11 From the following balances extracted from the books of M/s Manju Chawla on March 31, 2017. You are requested to prepare the trading and profit and loss account and a balance sheet as on this date.

Account title	Amount (Rs.)	Amount (Rs.)
Opening stock	10,000	
Purchases and sales	40,000	80,000
Returns	200	600
Wages	6,000	
Doc and clearing charges	4,000	
Lighting	500	
Misc. incomes		6,000
Rent		2,000
Capital		40,000
Drawings	2,000	
Debtors and creditors	6,000	7,000
Cash	3,000	
Investment	6,000	
Patent	4,000	
Land and machinery	43,000	
Donation and charity	600	
Sales tax collected		1,000
Furniture	11,300	
	1,36,600	1,36,600

Closing stock Rs.2,000.

- (a) Interest on drawing 7% and interest on capital @ 5%.
- (b) Land and machinery is depreciated at 5%.
- (c) Interest on investment @ 6%.
- (d) Unexpired rent Rs. 100
- (e) Charge 5% depreciation on furniture.

Answer. In the books of M/s Manju Chawla
Trading and profit and loss account
For the year ending March 31, 2017

Dr.		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: return	<u>600</u>	By closing stock	2,000
	39,400		
To wages	6,000		
To dock and clearing charges	4,000		
To lighting	500		
To gross profit c/d	21,900		
	81,800		81,800
To donation and charity	600	By gross profit b/d	21,900
To interest on capital	2,000	By misc. incomes	6,000
To depreciation		By rent	2,000
Land and machinery	2,150	Less: advance rent	<u>100</u>
Furniture	<u>565</u>	By interest on drawings	1,900
	2,715	By accrued interest on investment	360
To net profit (transferred to capital)	24,985		
	30,300		30,300

Balance sheet
As at 31st March 2017

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

Answer.

Trading and profit and loss account

for the year ended 31st March 2017

Cr.

000	1,22,400
000	10,600
	2,400
00	200
20	3,000
	920
	2,500
	22,780

As at March 31, 2017

Aglasem Schools

Add: interest on capital	2,500		Less: depreciation	<u>520</u>	4,680
Add: net profit	<u>22,780</u>	75,280	Scooter	8,000	
			Less: depreciation	<u>400</u>	7,600
			Building		65,000
		1,03,280			1,03,280

Page : 422 , Block Name : Numerical Questions

Q13 Prepare the trading and profit and loss account and balance sheet of M/s Control Device India on March 31, 2017 from the following balance as on that date.

Account title	Debit amount(Rs.)	Credit amount(Rs.)
Drawings and capital	19,530	67,500
Purchases and sales	45,000	1,12,500
Salary and commission	25,470	1,575
Carriage	2,700	
Plant and machinery	27,000	
Furniture	6,750	
Opening stock	42,300	
Insurance premium	2,700	
Interest		7,425
Bank overdraft		24,660
Rent and taxes	2,160	
Wages	11,215	
Returns	2,385	1,440
Carriage outwards	1,485	
Debtors and creditors	36,000	58,500
General expenses	6,975	
Octroi	530	
Investment	41,400	
	2,73,600	2,73,600

Closing stock was valued Rs. 20,000

- (a) Interest on capital @ 10%
- (b) Interest on drawings @ 5%
- (c) Wages outstanding Rs. 50.
- (d) Outstanding salary Rs. 20
- (e) Provide a depreciation @ 5% on plant and machinery.
- (f) Make a 5% provision on debtors

Answer. In the books of M/s Control Device India
Trading and profit and loss account
Dr. For the year ending March 31, 2017

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

To opening stock	42,300	By sales	1,12,500	
To purchases	45,000	Less: returns	<u>2,835</u>	1,10,115
Less: returns	<u>1,440</u>	By closing stock		20,000
To carriage	2,700			
To wages	11,215			
Add: outstanding wages	<u>50</u>			
To octroi	530			
To gross profit c/d	29,760			
To salary	25,470	By gross profit b/d		
Add: outstanding salary	<u>20</u>	By commission		
To insurance premium		By interest on drawings		1,30,115
To rent and taxes	1,30,115	By interest		
To carriage outwards		By net loss (transferred to capital)		29,760
To general expenses	25,490			1,575
To provision on debtors	2,700			977
To depreciation on plant and machinery	2,160			7,425
To interest on capital	1,485			8,973
	6,975			
	1,800			
	1,350			
	6,750			
	48,710			48,710

Balance sheet
As at march 31, 2017

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

Outstanding wages	50	Closing stock	20,000
Outstanding salary	20	Debtors	36,000
Creditors	58,500	less: provision on debtors	<u>1,800</u>
Bank overdraft	24,660	investments	41,400
Capital	67,500	plant and machinery	27,000
Less: drawings	(19,530)	less: depreciation	<u>1,350</u>
Interest on drawing	(977)	furniture	6,750
Net loss	<u>(8,973)</u>		
	38,020		
Add: interest on capital	<u>6,750</u>		
	44,770		
	1,28,000		1,28,000

Page : 423 , Block Name : Numerical Questions

Q14 The following balances appeared in the trial balance of M/s Kapil Traders as on March 31, 2017.

	Rs.
Sundry debtors	30,500
Bad debts	500
Provision for doubtful debts	2,000

The partners of the firm agreed to record the following adjustments in the books of the firm: further bad debts Rs. 300. Maintain provision for bad debts 10%. Show the following adjustments in the bad debts account provision account, debtors account, profit and loss account and balance sheet.

Answer.

In the books of M/s Kapil Traders

Dr.

Profit and loss account

Cr.

Particulars		Amount(Rs.)	Particulars		Amount(Rs.)
To bad debts	500				
Add: further bad debts	300				
	800				
Add: new provision	3,020				
	3,820				
Less: old provision	2,000	1,820			

Balance sheet

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Sundry debtors	30,500
		Less: further bad debt	300

		30,200	
	Less: provision	3,020	27,180

Dr. Debtor's account			Cr.		
Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
2017 March 31	To balance b/d	30,500	2017 March 31	By further bad debts	300
				By provision for doubtful debts	3,020
				By balance c/d	27,180
		30,500			30,500

Dr. Bad debts account			Cr.		
Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
2017 31 mar	To balance b/d	500	2017 31 mar	By provision for doubtful debts	800
	To sundry debtors	300			
		800			800

Dr. Provision for doubtful debts account			Cr.		
Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
2017 31 mar	To bad debts	800	2017 31 mar	By balance b/d	2,000
	To balance b/d	3,020		By profit and loss A/c (bal. fig.)	1,820
		3,820			3,820

Page : 423 , Block Name : Numerical Questions

Q15 Prepare bad debts account, provision for account, profit and loss account and balance sheet from the following information as on March 31, 2017

Debtors	80,000
Bad debts	2,000
Provision for doubtful debts	5,000

Adjustments : Bad debts Rs. 500, provision for debtors @ 3%.

Answer.

Dr. Profit and loss account Cr.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
		By provision for bad debts (old provision) 5,000	
		Less: bad debts 2,000	
		Less: further bad debts 500	
		less: new provision 2,385	115

Balance sheet

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
		Sundry debtors 80,000	
		Less: further bad debts 500	
		less:provision on debtors2,385	77,115

Dr. Bad debts account Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
2017 31 mar	To balance b/d	2,000	2017 31 mar	By provision for doubtful debts	2,500
	To sundry debtors	500			
		2,500			2,500

Dr. Provision for doubtful debts Cr.

Date	Particulars	Amount(Rs.)	Date	Particulars	Amount(Rs.)
2017 31 mar	To bad debts	2,500	2017 31 mar	By balance b/d	5,000
	To sundry debtors	2,385			
	To profit and loss a/c (bal. fig.)	115			
		5,000			5,000