10

ACCOUNTS FROM INCOMPLETE RECORDS

BASIC CONCEPTS AND STEPS TO SOLVE THE PROBLEMS

- Single entry system is generally found in sole trading concerns or even in partnership firms to some extent but never in case of limited liability companies on account of legal requirements.
- There are three types of single entry systems:
  - Pure Single Entry
  - Simple Single Entry
  - Quasi Single Entry
- Single entry system ignores the concept of duality and therefore, transactions are not recorded in their two-fold aspects.
- Closing Capital = Opening Capital + Additional Capital – Drawings + Profits

Question 1

The following is the Balance Sheet of the retail business of Sri Srinivas as at 31st December, 2010:

Liabilities	*Rs.*	*Assets*	*Rs.*
Sri Srinivas's capital	*1,00,000*	*Furniture*	*10,000*
Liabilities for goods	*20,500*	*Stock*	*70,000*
Rent	*1,000*	*Debtors*	*25,000*
		Cash at bank	*14,500*
		Cash in hand	*2,000*
	1,21,500		*1,21,500*

You are furnished with the following information:

(1) Sri Srinivas sells his goods at a profit of 20% on sales.

(2) Goods are sold for cash and credit. Credit customers pay by cheques only.

(3) Payments for purchases are always made by cheques.

(4) It is the practice of Sri Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of Rs. 300 to the clerk, Sundry expenses of Rs. 50 and personal expenses Rs. 100.

Analysis of the Bank Pass–Book for the 13 weeks period ending 31st March, 2011 disclosed the following:

	Rs.
Payments to creditors	*75,000*
Payments of rent upto 31.3.2011	*4,000*
Amounts deposited into the bank	*1,25,000*
(include Rs. 30,000 received from debtors by cheques)	
The following are the balances on 31st March, 2011:	*Rs.*
Stock	*40,000*
Debtors	*30,000*
Creditors for goods	*36,500*

On the evening of 31st March, 2011 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 2011 and a Balance Sheet as on that date. ***(May, 1999)***

Answer

Statement showing the amount of cash defalcated by the Cashier

	Rs.	Rs.
Cash balance as on 1.1.2011	2,000	
Add : Cash sales	1,16,250	1,18,250
Less : Salary to clerk (Rs. 300 × 13)	3,900	
Sundry expenses (Rs. 50 × 13)	650	
Drawings of Sri Srinivas (Rs. 100 × 13)	1,300	
Deposit into bank (Rs. 1,25,000 – Rs. 30,000)	95,000	1,00,850
Cash balance as on 31.3.2011 (defalcated by cashier)		17,400

Trading and Profit and Loss Account of Sri Srinivas

for the 13 week period ended 31st March, 2011

	Rs.		Rs.	Rs.
To Opening stock	70,000	By Sales :		
To Purchases	91,000	Cash	1,16,250	
To Gross Profit c/d	30,250	Credit	35,000	1,51,250
		By Closing stock		40,000
	191,250			1,91,250
To Salaries	3,900	By Gross profit b/d		30,250
To Rent (Rs. 4,000 – Rs. 1,000)	3,000			
To Sundry Expenses	650			
To Loss of cash by theft	17,400			
To Net Profit	5,300			
	30,250			30,250

Balance Sheet of Sri Srinivas

as on 31st March, 2011

Liabilities		Rs.	*Assets*	Rs.
Capital as on 1.1.2011	1,00,000		Furniture	10,000
Add : Profit	5,300		Stock	40,000
	1,05,300		Debtors	30,000
Less : Drawings	1,300	1,04,000	Cash at bank	60,500
Liabilities for goods		36,500		
		1,40,500		1,40,500

Working Notes :

(1) *Purchases*

Creditors Account

	Rs.		Rs.
To Bank A/c	75,000	By Balance b/d	20,500
To Balance c/d	36,500	By Purchases A/c (Bal. fig.)	91,000
	1,11,500		1,11,500

(2) *Total sales*

	Rs.
Opening stock	70,000
Add : Purchases	91,000
	1,61,000
Less : Closing stock	40,000
Cost of goods sold	1,21,000
Add : Gross profit @ 25% on cost	30,250
Total Sales	1,51,250

(3) *Credit Sales*

Debtors Account

	Rs.		*Rs.*
To Balance b/d	25,000	By Bank A/c	30,000
To Sales A/c (Bal. fig.)	35,000	By Balance c/d	30,000
	60,000		60,000

(4) *Cash Sales*

	Rs.
Total sales	1,51,250
Less : Credit Sales	35,000
Cash sales	1,16,250

(5) *Bank balance as on 31.3.2011*

	Rs.		*Rs.*
To Balance b/d	14,500	By Creditors A/c	75,000
To Debtors A/c	30,000	By Rent A/c	4,000
To Cash A/c	95,000	By Balance c/d	60,500
	1,39,500		1,39,500

Notes :

1. All purchases are taken on credit basis.
2. In the absence of information about the rate of depreciation, no depreciation has been charged on furniture. Alternatively, students may assume any appropriate rate of depreciation and account for the charge.

3. The amount defalcated by the cashier may be treated as recoverable from him. In that case, Rs. 17,400 may be shown as sundry advances on assets side in the Balance Sheet and net profit for the 13 week period ending 31st March, 2011 would amount Rs. 22,700.

Question 2

Shri Kisan, a farmer, maintains a cash book, through which he records all receipts and payments and a diary in which he records other relevant information. On 31st March, 2010 he had cash in hand Rs. 1,000 and balance of Rs. 500 with local Grameen Bank. He also owed Rs. 600 to Beej Bhandar for seeds purchased by that date.

During the year ended 31st March, 2011, he realised :

	Rs.
Sale proceeds of crops	*59,100*
Sale proceeds of cattle and cattle products	*12,500*
Sale proceeds of wood and grass	*3,000*
Sale of cowdung	*5,000*
Receipt on account from Babu (a credit customer)	*12,000*
Grant from Zila Parishad for installing tubewell–cheque	*10,000*
During the year ended 31st March, 2011 he paid :	
Wages	*65,000*
Beej Bhandar	*600*
Seeds, feeds and fertiliser	*3,000*
Power	*5,000*
Land revenue	*2,000*
Tools purchased	*2,500*
Household expenses	*10,000*

During the year ended 31st March, 2011 his other transactions were :

		Rs.
(i)	*Sale of crop to Babu on credit*	*20,000*
(ii)	*Purchased on 25th March, 2011 from Beej Bhandar on credit of one month seeds of*	*2,000*
(iii)	*Efforts put in by self and family members on the farm were conservatively valued at*	*60,000*
(iv)	*Value of crop used for consumption by :*	
	Self and family	*30,000*
	Agricultural labourers	*40,000*

On 31st March, 2011 his cash in hand was only Rs. 2,500

The rest was banked. He did not have any stock of seeds.

The tubewell for which the grant cheque was realised in the last week of March, 2011 is to be installed in April, 2011.

Shri Kisan asks you to prepare his cash and income summaries for the year ended 31st March, 2011 and his statement of financial position as on that date. ***(May, 2000)***

Answer

In the Books of Shri Kisan

Cash summary for the year ended on 31st March, 2011

		Rs.	Rs.
Opening balances (on 1st April, 2010):			
	Cash in hand	1,000	
	Grameen Bank balance	500	1,500
Receipts :			
Sale proceeds –	Crops	59,100	
	Cattle and cattle products	12,500	
	Wood and grass	3,000	
	Cowdung	5,000	
Collection from babu		12,000	
Grant from Zila Parishad		10,000	1,01,600
			1,03,100
Payments :			
Farm expenses – Wages		65,000	
	Seeds, feeds and fertilizers	3,000	
	Power	5,000	
	Land revenue	2,000	
Payment of Beej Bhandar		600	
Tools purchased		2,500	
Household expenses		10,000	88,100
Closing balances (on 31st March, 2011) :			
	Cash in hand	2,500	
	Grameen Bank balance (Balancing figure)	12,500	15,000
			1,03,100

Income summary for the year ended on 31st March, 2011

		Rs.	Rs.
Revenues:			
Sales –	Crops (Cash sales : 59,100 + Credit sales : 20,000)	79,100	
	Cattle and cattle products	12,500	
	Wood and grass	3,000	
	Cowdung	5,000	
Crop used for consumption –			
	Self and family	30,000	
	Agricultural labourers	40,000	1,69,600
Less :	Expenses :		
	Wages	65,000	
	Consumption of crop by labourers	40,000	
	Seeds, feeds and fertiliser (Cash purchases : 3,000 + Credit purchases : 2,000)	5,000	
	Power	5,000	
	Land revenue	2,000	
	Efforts of self and family members	60,000	1,77,000
Loss			7,400

Statement of financial position as on 31st March, 2011

Liabilities			*Rs.*	*Assets*	*Rs.*
Farm household capital :				Tools	2,500
Balance on 1.4.2010		900		Debtors (Babu)	8,000
Add : Notional wages of self and family members		60,000		Cash in hand	2,500
		60,900		Grameen bank balance	12,500
Less : Drawings :					
Cash	10,000				
Crop	30,000				
Loss as per Income summary	7,400	47,400	13,500		
Grant (for tubewell)			10,000		
Creditors (Beej Bhandar)			2,000		
			25,500		25,500

Working note :

Computation of Farm household capital on 1.4.2010

Statement of financial position on 31.3.2010

	Rs.		Rs.
Liability to Beej Bhandar	600	Cash in hand	1,000
Farm household capital		Grameen bank balance	500
(Balancing figure)	900		
	1,500		1,500

Question 3

A trader keeps his books of account under single entry system. On 31st March, 2010 his statement of affairs stood as follows :

Liabilities	*Rs.*	*Assets*	*Rs.*
Trade Creditors	*5,80,000*	*Furniture, Fixtures and Fittings*	*1,00,000*
Bills Payable	*1,25,000*	*Stock*	*6,10,000*
Outstanding Expenses	*45,000*	*Trade Debtors*	*1,48,000*
Capital Account	*2,50,000*	*Bills Receivable*	*60,000*
		Unexpired Insurance	*2,000*
		Cash in Hand and at Bank	*80,000*
	10,00,000		*10,00,000*

The following was the summary of Cash–book for the year ended 31st March, 2011:

Receipts	*Rs.*	*Payments*	*Rs.*
Cash in Hand and at Bank on		*Payments to Trade Creditors*	*75,07,000*
1st April, 2011	*80,000*	*Payments for Bills payable*	*8,15,000*
Cash Sales	*73,80,000*	*Sundry Expenses paid*	*6,20,700*
Receipts from Trade Debtors	*15,10,000*	*Drawings*	*2,40,000*
Receipts for Bills Receivable	*3,40,000*	*Cash in Hand and at Bank*	
		on 31st March, 2011	*1,27,300*
	93,10,000		*93,10,000*

Discount allowed to trade debtors and received from trade creditors amounted to Rs. 36,000 and Rs. 28,000 respectively. Bills endorsed amounted to Rs. 15,000. Annual Fire Insurance premium of Rs. 6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15% per annum on diminishing balances method.

You are also informed about the following balances as on 31st March, 2011 :

	Rs.
Stock	*6,50,000*
Trade Debtors	*1,52,000*
Bills Receivable	*75,000*
Bills Payable	*1,40,000*
Outstanding Expenses	*5,000*

The trader maintains a steady gross profit ratio of 10% on sales.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2011 and Balance Sheet as at that date. ***(May, 2001)***

Answer

Trading and Profit and Loss Account

for the year ended 31st March, 2011

	Rs.			Rs.
To Opening Stock	6,10,000	By Sales		
To Purchases (W.N. 3)	84,10,000	Cash	73,80,000	
To Gross profit c/d	9,30,000	Credit (W.N. 2)	19,20,000	93,00,000
(10% of 93,00,000)		By Closing stock		6,50,000
	99,50,000			99,50,000
To Sundry expenses (W.N. 6)	5,80,700	By Gross profit b/d		9,30,000
To Discount allowed	36,000	By Discount received		28,000
To Depreciation	15,000			
(15% Rs. 1,00,000)				
To Net Profit	3,26,300			
	9,58,000			9,58,000

Balance Sheet as at 31st March, 2011

Liabilities		*Amount* Rs.	*Assets*		*Amount* Rs.
Capital			Furniture & Fittings	1,00,000	
Opening balance	2,50,000		*Less :* Depreciation	15,000	85,000
Less : Drawing	2,40,000		Stock		6,50,000
	10,000		Trade Debtors		1,52,000
Add : Net profit for the years	3,26,300	3,36,300	Bills receivable		75,000
Bills payable		1,40,000	Unexpired insurance		2,000

Trade creditors	6,10,000	Cash in hand & at bank	1,27,300
Outstanding expenses	5,000		
	10,91,300		10,91,300

Working Notes :

1. **Bills Receivable Account**

	Rs.		Rs.
To Balance b/d	60,000	By Cash	3,40,000
To Trade debtors	3,70,000	By Trade creditors (Bills endorsed)	15,000
		By Balance c/d	75,000
	4,30,000		4,30,000

2. **Trade Debtors Account**

	Rs.		Rs.
To Balance b/d	1,48,000	By Cash/Bank	15,10,000
To Credit sales	19,20,000	By Discount allowed	36,000
	(Balancing figure)	By Bills receivable	3,70,000
		By Balance c/d	1,52,000
	20,68,000		20,68,000

3. **Memorandum Trading Account**

	Rs.		Rs.
To Opening stock	6,10,000	By Sales	93,00,000
To Purchases (Balancing figure)	84,10,000	By Closing stock	6,50,000
To Gross Profit (10% on sales)	9,30,000		
	99,50,000		99,50,000

4. **Bills Payable Account**

	Rs.		Rs.
To Cash/Bank	8,15,000	By Balance b/d	1,25,000
To Balance c/d	1,40,000	By Creditors (balancing figure)	8,30,000
	9,55,000		9,55,000

5. **Trade Creditors Account**

	Rs.		Rs.
To Cash/Bank	75,07,000	By Balance b/d	5,80,000
To Discount received	28,000	By Purchases (as calculated	84,10,000

To Bills receivable	15,000	in W.N. 3)	
To Bills payable	8,30,000		
To Balance c/d (balancing figure)	6,10,000		
	89,90,000		89,90,000

6. **Computation of sundry expenses to be charged to Profit & Loss A/c**

	Rs.
Sundry expenses paid (as per cash book)	6,20,700
Add : Prepaid expenses as on 31–3–2010	2,000
	6,22,700
Less : Outstanding expenses as on 31–3–2010	45,000
	5,77,700
Add : Outstanding expenses as on 31–3–2011	5,000
	5,82,700
Less : Prepaid expenses as on 31–3–2011 (Insurance paid till July, 2011)	2,000
	5,80,700

Question 4

The following is the Balance Sheet of a concern on 31st March, 2010 :

	Rs.		*Rs.*
Capital	*10,00,000*	*Fixed Assets*	*4,00,000*
Creditors (Trade)	*1,40,000*	*Stock*	*3,00,000*
Profit & Loss A/c	*60,000*	*Debtors*	*1,50,000*
		Cash & Bank	*3,50,000*
	12,00,000		*12,00,000*

The management estimates the purchases and sales for the year ended 31st March, 2011 as under :

	upto 28.2.2011	*March 2011*
	Rs.	*Rs.*
Purchases	*14,10,000*	*1,10,000*
Sales	*19,20,000*	*2,00,000*

It was decided to invest Rs. 1,00,000 in purchases of fixed assets, which are depreciated @ 10% on cost.

The time lag for payment to Trade Creditors for purchase and receipt from Sales is one month. The business earns a gross profit of 30% on turnover. The expenses against gross profit amount to 10% of the turnover. The amount of depreciation is not included in these expenses.

Draft a Balance Sheet as at 31st March, 2011 assuming that creditors are all Trade Creditors for purchases and debtors for sales and there is no other item of current assets and liabilities apart from stock and cash and bank balances. ***(November, 2001)***

Answer

Projected Balance Sheet of ......

as on 31st March, 2011

Liabilities		*Rs.*	*Assets*		*Rs.*
Capital		10,00,000	Fixed Assets	4,00,000	
Profit & Loss Account as on			Additions	1,00,000	
1st April, 2010	60,000			5,00,000	
Add : Profit for the year	3,74,000	4,34,000	*Less :* Depreciation	50,000	4,50,000
Creditors (Trade)		1,10,000	Stock in trade		3,36,000
			Sundry Debtors		2,00,000
			Cash & Bank Balances		5,58,000
		15,44,000			15,44,000

Working Notes:

1. **Projected Trading and Profit and Loss Account**

for the year ended 31st March, 2011

	Rs.		Rs.
To Opening Stock	3,00,000	By Sales	21,20,000
To Purchases	15,20,000	By Closing Stock (balancing figure)	3,36,000
To Gross Profit c/d (30% on sales)	6,36,000		
	24,56,000		24,56,000
To Sundry Expenses (10% on sales)	2,12,000	By Gross Profit b/d	6,36,000
To Depreciation	50,000		
To Net Profit	3,74,000		
	6,36,000		6,36,000

2. **Cash and Bank Account for the period**

1st April, 2010 to 31st March, 2011

	Rs.		*Rs.*
To Balance b/d	3,50,000	By Sundry Creditors	15,50,000
To Sundry Debtors	20,70,000	(Rs. 1,40,000 + Rs. 14,10,000)	

(Rs. 1,50,000 + Rs. 19,20,000)		By Expenses	2,12,000
		By Fixed Assets	1,00,000
		By Balance c/d	5,58,000
	24,20,000		24,20,000

Note : The entire sales and purchases are taken on credit basis.

Question 5

The following is the Balance Sheet of Sri Agni Dev as on 31st March, 2010:

Liabilities	*Rs.*	*Assets*	*Rs.*
Capital Account	*2,52,500*	*Machinery*	*1,20,000*
Sundry Creditors for purchases	*45,000*	*Furniture*	*20,000*
		Stock	*33,000*
		Debtors	*1,00,000*
		Cash in hand	*8,000*
		Cash at Bank	*16,500*
	2,97,500		*2,97,500*

Riots occurred and fire broke out on the evening of 31st March, 2011, destroying the books of account and Furniture. The cashier was grievously hurt and the cash available in the cash box was stolen.

The trader gives you the following information:

(i) *Sales are effected as 25% for cash and the balance on credit. His total sales for the year ended 31st March, 2011 were 20% higher than the previous year. All the sales and purchases of goods were evenly spread throughout the year (as also in the last year).*

(ii) *Terms of credit*

Debtors	*2 Months*
Creditors	*1 Month*

(iii) *Stock level was maintained at Rs. 33,000 all throughout the year.*

(iv) *A steady Gross Profit rate of 25% on the turnover was maintained throughout. Creditors are paid by cheque only, except for cash purchase of Rs. 50,000.*

(v) *His private records and the Bank Pass-book disclosed the following transactions for the year.*

(i)	*Miscellaneous Business expenses*	*Rs. 1,57,500 (including Rs. 5,000 paid by cheque and Rs. 7,500 was outstanding as on 31st March, 2011)*

(ii)	*Repairs*	*Rs. 3,500 (paid by cash)*
(iii)	*Addition to Machinery*	*Rs. 60,000 (paid by cheque)*
(iv)	*Private drawings*	*Rs. 30,000 (paid by cash)*
(v)	*Travelling expenses*	*Rs. 18,000 (paid by cash)*
(vi)	*Introduction of additional capital by depositing in to the Bank*	*Rs. 5,000*

(vi) *Collection from debtors were all through cheques.*

(vii) *Depreciation on Machinery is to be provided @ 15% on the Closing Book Value.*

(viii) *The Cash stolen is to be charged to the Profit and Loss Account.*

(ix) *Loss of furniture is to be adjusted from the Capital Account.*

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2011 and a Balance Sheet as on that date. Make appropriate assumptions whenever necessary. All workings should form part of your answer. ***(November, 2002)***

Answer

Trading and Profit and Loss Account of Sri. Agni Dev

for the year ended 31st March, 2011

		Rs.			Rs.
To	Opening Stock	33,000	By	Sales	9,60,000
To	Purchases	7,20,000	By	Closing Stock	33,000
To	Gross Profit c/d	2,40,000			
		9,93,000			9,93,000
To	Business Expenses	1,57,500	By	Gross Profit b/d	2,40,000
To	Repairs	3,500			
To	Depreciation	27,000			
To	Travelling Expenses	18,000			
To	Loss by theft	1,500			
To	Net Profit	32,500			
		2,40,000			2,40,000

Balance Sheet of Sri Agni Dev as at 31st March, 2011

Liabilities	*Rs.*	*Rs.*	*Assets*	*Rs.*	*Rs.*
Capital	2,52,500		Machinery	1,80,000	
Add: Additional Capital	5,000		*Less*: Depreciation	27,000	1,53,000
Net Profit	32,500				

	2,90,000		Stock in Trade	33,000
Less: Loss of Furniture	20,000		Sundry Debtors	1,20,000
Drawings	30,000	2,40,000		
Bank Overdraft		2,667		
Sundry Creditors		55,833		
Outstanding Expenses		7,500		
		3,06,000		3,06,000

Working Notes:

		Rs.
1.	Sales during 2010-2011	
	Debtors as on 31st March, 2010	1,00,000
	(Being equal to 2 months' sales)	
	Total credit sales in 2009- 2010, Rs. 1,00,000 × 6	6,00,000
	Cash Sales, being equal to 1/3rd of credit sales or 1/4th of the total	2,00,000
	Sales in 2009- 2010	8,00,000
	Increase, 20% as stated in the problem	1,60,000
	Total sales during 2010-2011	9,60,000
	Cash sales : 1/4th	2,40,000
	Credit sales : 3/4th	7,20,000
2.	Debtors equal to two months credit sales	1,20,000
3.	Purchases	
	Sales in 2010-2011	9,60,000
	Gross Profit @ 25%	2,40,000
	Cost of goods sold being purchases	7,20,000
	(Since there is no change in stock level)	
4.	Sundry Creditors for goods	
	(Rs. 7,20,000 – Rs. 50,000) /12 = Rs. 6,70,000/12	55,833
5.	Collections from Debtors	
	Opening Balance	1,00,000
	Add: Credit Sales	7,20,000
		8,20,000
	Less: Closing Balance	1,20,000
		7,00,000

6.	Payment to Creditors	
	Opening Balance	45,000
	Add: Credit Purchases (Rs. 7,20,000 – Rs. 50,000)	6,70,000
		7,15,000
	Less: Closing Balance	55,833
	Payment by cheque	6,59,167

7. **Cash and Bank Account**

	Particulars	**Cash**	**Bank**		*Particulars*	**Cash**	**Bank**
To	Balance b/d	8,000	16,500	By	Payment to Creditors	50,000	6,59,167
To	Collection from Debtors	–	7,00,000	By	Misc. Expenses	1,45,000	5,000
To	Sales	2,40,000	–	By	Repairs	3,500	–
To	Additional Capital	–	5,000	By	Addition to Machinery	–	60,000
To	Balance c/d	–	2,667	By	Travelling Expenses	18,000	–
	(Bank overdraft)			By	Private Drawings	30,000	–
				By	Balance c/d (lost by theft)	1,500	
		2,48,000	7,24,167			2,48,000	7,24,167

Question 6

Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepare his final accounts for the year 2011:

	1.1.2011	*31.12.2011*
	Rs.	*Rs.*
Debtors	*1,02,500*	–
Creditors	–	*46,000*
Stock	*50,000*	*62,500*
Bank Balance	–	*50,000*
Fixed Assets	*7,500*	*9,000*

Details of his bank transactions were as follows:

	Rs.
Received from debtors	*3,40,000*
Additional capital brought in	*5,000*
Sale of fixed assets (book value Rs. 2,500)	*1,750*
Paid to creditors	*2,80,000*
Expenses paid	*49,250*
Personal drawings	*25,000*
Purchase of fixed assets	*5,000*

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was Rs. 2,60,000. ***(November, 2004)***

Answer

Trading and Profit and Loss Account

for the year ended 31st December, 2011

		Amount Rs.			Amount Rs.
To	Opening stock	50,000	By	Sales (Rs. 2,60,000 × 125/100)	3,25,000
To	Purchases (balancing figure)	2,72,500	By	Closing stock	62,500
To	Gross profit c/d (Rs. 2,60,000 × 25/100)	65,000			
		3,87,500			3,87,500
To	Expenses	49,250	By	Gross profit b/d	65,000
To	Loss on sale of fixed assets	750			
To	Depreciation on fixed assets (W.N.1)	1,000			
To	Net profit	14,000			
		65,000			65,000

Balance Sheet as on 31st December, 2011

Liabilities		*Amount Rs.*	*Assets*	*Amount Rs.*
Capital (W.N. 5)	1,69,000		Fixed assets	9,000

Add: Additional capital	5,000		Debtors (W.N. 3)	87,500
Net profit	14,000		Stock	62,500
	1,88,000		Bank balance	50,000
Less: Drawings	25,000	1,63,000		
Creditors		46,000		
		2,09,000		2,09,000

Working Notes:

1. Fixed assets account

		Rs.			Rs.
To	Balance b/d	7,500	By	Bank (sale)	1,750
To	Bank	5,000	By	Loss on sale of fixed asset	750
			By	Depreciation (balancing figure)	1,000
			By	Balance c/d	9,000
		12,500			12,500

2. Bank account

		Rs.			Rs.
To	Balance b/d (balancing figure)	62,500	By	Creditors	2,80,000
To	Debtors	3,40,000	By	Expenses	49,250
To	Capital	5,000	By	Drawings	25,000
To	Sale of fixed assets	1,750	By	Fixed assets	5,000
			By	Balance c/d	50,000
		4,09,250			4,09,250

3. Debtors account

		Rs.			Rs.
To	Balance b/d	1,02,500	By	Bank	3,40,000
To	Sales (Rs. 2,60,000 $\times \frac{125}{100}$)	3,25,000	By	Balance c/d (balancing figure)	87,500
		4,27,500			4,27,500

4. **Creditors account**

		Rs.			Rs.
To	Bank	2,80,000	By	Balance b/d (balancing figure)	53,500
To	Balance c/d	46,000	By	Purchases (from trading account)	2,72,500
		3,26,000			3,26,000

5. **Balance Sheet as on 1st January, 2011**

Liabilities	*Rs.*	*Assets*	*Rs.*
Creditors (W.N. 4)	53,500	Fixed assets	7,500
Capital (balancing figure)	1,69,000	Debtors	1,02,500
		Stock	50,000
		Bank balance (W.N. 2)	62,500
	2,22,500		2,22,500

Question 7

The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2011 and a Balance Sheet as on that date

(a)	*Balance as on 31st March, 2010 Rs.*	*Balance as on 31st March, 2011 Rs.*
Building	*3,20,000*	*3,60,000*
Furniture	*60,000*	*68,000*
Motorcar	*80,000*	*80,000*
Stocks	–	*40,000*
Bills payable	*28,000*	*16,000*
Cash and Bank balances	*1,80,000*	*1,04,000*
Sundry Debtors	*1,60,000*	–
Bills receivable	*32,000*	*28,000*
Sundry Creditors	*1,20,000*	–

(b) *Cash transactions during the year included the following besides certain other items:*

	Rs.		*Rs.*
Sale of old papers and		*Cash purchases*	*48,000*

miscellaneous income	*20,000*	*Payment to creditors*	*1,84,000*
Miscellaneous Trade expenses (including salaries etc.)	*80,000*	*Cash Sales*	*80,000*
Collection from debtors	*2,00,000*		

(c) Other information:

(i) Bills receivable drawn during the year amount to Rs. 20,000 and Bills payable accepted Rs. 16,000.

(ii) Some items of old furniture, whose written down value on 31st March, 2010 was Rs. 20,000 was sold on 30th September, 2010 for Rs. 8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.

(iii) Of the Debtors, a sum of Rs. 8,000 should be written off as Bad Debt and a reserve for doubtful debts is to be provided @ 2%.

(iv) Mr. Shivkumar has been maintaining a steady gross profit rate of 30% on turnover.

(v) Outstanding salary on 31st March, 2010 was Rs. 8,000 and on 31st March, 2011 was Rs. 10,000 on 31st March, 2010. Profit and Loss Account had a credit balance of Rs. 40,000.

(vi) 20% of total sales and total purchases are to be treated as for cash.

(vii) Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts. ***(November, 2003)***

Answer

Trading and Profit and Loss Account of Mr. Shiv Kumar

for the year ended 31st March, 2011

		Rs.			Rs.
To	Opening stock (balancing figure)	80,000	By	Sales	4,00,000
			By	Closing stock	40,000
To	Purchases	2,40,000			
To	Gross profit c/d @ 30% on sales	1,20,000			
		4,40,000			4,40,000
To	Miscellaneous expenses (Rs.80,000 – Rs.8,000 + Rs.10,000)	82,000	By	Gross profit b/d	1,20,000
			By	Miscellaneous receipts	20,000
			By	Net loss transferred to Capital A/c	25,840

To	Depreciation:		
	Building Rs. 36,000		
	Furniture Rs. 7,800		
	(Rs.6,800 + Rs.1,000)		
	Motor Car Rs. 16,000	59,800	
To	Loss on sale of furniture	11,000	
To	Bad debts	8,000	
To	Provision for doubtful debts	5,040	
		1,65,840	1,65,840

Balance Sheet of Mr. Shivkumar

as on 31st March, 2011

Liabilities	*Rs.*	*Rs.*	*Assets*	*Rs.*	*Rs.*
Capital as on 1st April, 2010		7,16,000	Building	3,20,000	
			Add: Addition during the year	40,000	
Profit and Loss A/c				3,60,000	
Opening balance	40,000		*Less*: Provision for depreciation	36,000	3,24,000
Less: Loss for the year	25,840	14,160	Furniture	60,000	
Sundry creditors		1,12,000	*Less:* Sold during the year	20,000	
Bills payable		16,000		40,000	
Outstanding salary		10,000	*Add:* Addition during the year	28,000	
				68,000	
			Less: Depreciation	6,800	61,200
			Motor car (at cost)	80,000	
			Less: Depreciation	16,000	64,000
			Stock in trade		40,000
			Sundry debtors	2,52,000	
			Less: Provision for doubtful debts @ 2%	5,040	2,46,960
			Bills receivable		28,000
			Cash in hand and at bank		1,04,000
		8,68,160			8,68,160

Working Notes:

Sundry Debtors Account

		Rs.			Rs.
To	Balance b/d	1,60,000	By	Cash/Bank A/c	2,00,000
To	Sales A/c	3,20,000	By	Bills receivable A/c	20,000
			By	Bad debts A/c	8,000
			By	Balance c/d (balancing fig.)	2,52,000
		4,80,000			4,80,000

Sundry Creditors Account

		Rs.			Rs.
To	Cash/Bank A/c	1,84,000	By	Balance b/d	1,20,000
To	Bills payable A/c	16,000	By	Purchases A/c	1,92,000
To	Balance c/d (balancing figure)	1,12,000			
		3,12,000			3,12,000

Bills Receivable Account

		Rs.			Rs.
To	Balance b/d	32,000	By	Cash/ Bank A/c (balancing figure)	24,000
To	Sundry debtors A/c	20,000			
			By	Balance c/d	28,000
		52,000			52,000

Bills Payable Account

		Rs.			Rs.
To	Cash/Bank A/c (balancing figure)	28,000	By	Balance b/d	28,000
			By	Sundry creditors A/c	16,000
To	Balance c/d	16,000			
		44,000			44,000

Furniture Account

		Rs.			Rs.
To	Balance b/d	60,000	By	Bank/Cash A/c	8,000
To	Bank A/c	28,000	By	Depreciation A/c	1,000

			By	Profit and loss A/c (loss on sale)	11,000
			By	Depreciation A/c	6,800
			By	Balance c/d	61,200
		88,000			88,000

Cash/Bank Account

		Rs.			Rs.
To	Balance b/d	1,80,000	By	Misc. trade expenses A/c	80,000
To	Miscellaneous receipts A/c	20,000	By	Purchases A/c	48,000
To	Sundry debtors A/c	2,00,000	By	Furniture A/c (balancing figure)	28,000
To	Sales A/c	80,000	By	Sundry creditors A/c	1,84,000
To	Furniture A/c (sale)	8,000	By	Bills payable A/c	28,000
To	Bills receivable A/c	24,000	By	Building A/c	40,000
			By	Balance c/d	1,04,000
		5,12,000			5,12,000

Opening Balance Sheet of Mr. Shivkumar

as on 31st March, 2010

Liabilities	*Rs.*	*Assets*	*Rs.*
Capital (balancing figure)	7,16,000	Building	3,20,000
Profit and loss A/c	40,000	Furniture	60,000
Sundry creditors	1,20,000	Motor car	80,000
Bills payable	28,000	Stock in trade	80,000
Outstanding salary	8,000	Sundry debtors	1,60,000
		Bills receivable	32,000
		Cash in hand and at bank	1,80,000
	9,12,000		9,12,000

Question 8

From the following furnished by Shri Ramji, prepare Trading and Profit and Loss account for the year ended 31.3.2011. Also draft his Balance Sheet as at 31.3.2011:

	1.4.2010	*31.3.2011*
	Rs.	*Rs.*
Creditors	*3,15,400*	*2,48,000*

Expenses outstanding	*12,000*	*6,600*
Fixed assets (includes machinery)	*2,32,200*	*2,40,800*
Stock in hand	*1,60,800*	*2,22,400*
Cash in hand	*59,200*	*24,000*
Cash at bank	*80,000*	*1,37,600*
Sundry debtors	*3,30,600*	*?*

Details of the year's transactions are as follows:

Cash and discount credited to debtors	*12,80,000*
Returns from debtors	*29,000*
Bad debts	*8,400*
Sales (Both cash and credit)	*14,36,200*
Discount allowed by creditors	*14,000*
Returns to creditors	*8,000*
Capital introduced by cheque	*1,70,000*
Collection from debtors (Deposited into bank after receiving cash)	*12,50,000*
Cash purchases	*20,600*
Expenses paid by cash	*1,91,400*
Drawings by cheque	*8,600*
Machinery acquired by cheque	*63,600*
Cash deposited into bank	*1,00,000*
Cash withdrawn from bank	*1,84,800*
Cash sales	*92,000*
Payment to creditors by cheque	*12,05,400*

Note: *Ramji has not sold any Fixed Asset during the year.* ***(November, 2005)***

Answer

In the books of Shri Ramji

Trading and Profit and Loss Account

for the year ended 31st March, 2011

		Rs.	Rs.			Rs.	Rs.
To	Opening stock		1,60,800	By	Sales:		
To	Purchases:				Cash	92,000	
	Cash	20,600			Credit	13,44,200	

	Credit (W.N. 3)	11,60,000				14,36,200	
		11,80,600			*Less:* Returns	29,000	14,07,200
	Less: Returns	8,000	11,72,600				
To	Gross Profit c/d		2,96,200	By	Closing stock		2,22,400
			16,29,600				16,29,600
To	Discount allowed		30,000	By	Gross profit b/d		2,96,200
To	Bad debts		8,400	By	Discount		14,000
To	General expenses (W.N. 5)		1,86,000				
To	Depreciation (W.N. 4)		55,000				
To	Net profit		30,800				
			3,10,200				3,10,200

Balance Sheet as at 31st March, 2011

Liabilities		*Rs.*	*Assets*		*Rs.*
Capital (W.N. 1)	5,35,400		Sundry Assets	2,32,200	
Add: Additional capital	1,70,000		*Add:* New machinery	63,600	
Net profit	30,800			2,95,800	
	7,36,200		*Less:* Depreciation	55,000	2,40,800
Less: Drawings	8,600	7,27,600	Stock in trade		2,22,400
Sundry creditors		2,48,000	Sundry debtors (W.N. 2)		3,57,400
Expenses outstanding		6,600	Cash in hand		24,000
			Cash in Bank		1,37,600
		9,82,200			9,82,200

Working Notes:

(1) Statement of Affairs as at 31st March, 2010

Liabilities	*Rs.*	*Assets*	*Rs.*
Sundry creditors	3,15,400	Sundry Assets	2,32,200
Outstanding expenses	12,000	Stock	1,60,800
Ramji's Capital		Debtors	3,30,600
(Balancing figure)	5,35,400	Cash in hand	59,200
		Cash at Bank	80,000
	8,62,800		8,62,800

(2) Sundry Debtors Account

		Rs.			Rs.
To	Balance b/d	3,30,600	By	Cash	12,50,000
To	Sales (14,36,200 – 92,000)	13,44,200	By	Discount	30,000
			By	Returns (sales)	29,000
			By	Bad debts	8,400
			By	Balance c/d (Bal. fig.)	3,57,400
		16,74,800			16,74,800

(3) Sundry Creditors Account

		Rs.			Rs.
To	Bank – Payments	12,05,400	By	Balance b/d	3,15,400
To	Discount	14,000	By	Purchases credit (Balancing figure)	11,60,000
To	Returns	8,000			
To	Balance c/d (closing balance)	2,48,000			
		14,75,400			14,75,400

(4)

Depreciation on Fixed Assets:	*Rs.*
Opening balance	2,32,200
Add: Additions	63,600
	2,95,800
Less: Closing balance	2,40,800
Depreciation	55,000

(5) Expenses to be shown in profit and loss account

Expenses (in cash)	1,91,400	
Add: Outstanding of 2011	6,600	
	1,97,800	
Less: Outstanding of 2010	12,000	
		1,86,000

(6) Cash and Bank Account

		Cash	Bank			Cash	Bank
		Rs.	Rs.			Rs.	Rs.
To	Balance b/d	59,200	80,000	By	Purchases	20,600	–

To	Capital		1,70,000	By	Expenses	1,91,400	
To	Debtors		12,50,000	By	Plant and Machinery		63,600
To	Bank	1,84,800		By	Drawings		8,600
To	Cash		1,00,000	By	Creditors		12,05,400
To	Sales	92,000		By	Cash		1,84,800
				By	Bank	1,00,000	
				By	Balance c/d	24,000	1,37,600
		3,36,000	16,00,000			3,36,000	16,00,000

Question 9

Mr. X runs a retail business. Suddenly he finds on 31.3.2011 that his Cash and Bank balances have reduced considerably. He provides you the following information:

(i)	*Balances*	*31.3.2010*	*31.3.2011*
		Rs.	*Rs.*
	Sundry Debtors	*35,400*	*58,800*
	Sundry Creditors	*84,400*	*22,400*
	Cash at Bank	*1,08,400*	*2,500*
	Cash in Hand	*10,400*	*500*
	Rent (Outstanding for one month)	*2,400*	*3,000*
	Stock	*11,400*	*20,000*
	Electricity and Telephone bills-outstanding	*--*	*6,400*

(ii)	*Bank Pass-book reveals the following*	*Rs.*
	Total Deposits	*10,34,000*
	Withdrawals:	
	Creditors	*8,90,000*
	Professional charges	*34,000*
	Furnitures and Fixtures (acquired on 1.10.10)	*54,000*
	Proprietor's drawings	*1,61,900*

(iii) *Rent has been increased from January, 2011.*

(iv) *Mr. X deposited all cash sales and collections from debtors after meeting wages, shop expenses, rent, electricity and telephone charges.*

(v) Mr. X made all purchases on credit.

(vi) His credit sales during the year amounts to Rs.9,00,000.

(vii) He incurred Rs.6,500 per month towards wages.

(viii) He incurred following expenses:

(a) Electricity and telephone charges Rs.24,000 (paid)

(b) Shop expenses Rs.18,000 (paid).

(ix) Charge depreciation on furniture and fixtures @10% p.a.

Finalise the accounts of Mr. X and compute his profit for the year ended 31.3.2011. Prepare his statement of affairs and reconcile the profit and capital balance. ***(May, 2006)***

Answer

Trading and profit and Loss Account of Mr. X

For the year ended 31st March, 2011

	Rs.		Rs.	Rs.
To Opening Stock	11,400	By Sales:		
To Purchases	8,28,000	Cash	2,97,500	
To Gross Profit	3,78,100	Credit	9,00,000	11,97,500
		By Closing Stock		20,000
	12,17,500			12,17,500
To Wages	78,000	By Gross Profit		3,78,100
To Rent*	30,600			
To Electricity & Telephone**	30,400			
To Professional charges	34,000			
To Shop Expenses	18,000			
To Depreciation $(\text{Rs.}54{,}000\times\frac{10}{100}\times\frac{1}{2})$	2,700			
To Net Profit	1,84,400			
	3,78,100			3,78,100

	Rs.
*Rent Paid	30,000
Less: Outstanding on 1.4.2010	(2,400)
	27,600
Add: Outstanding on 31.3.2011	3,000
	30,600

	Rs.
**Electricity & Telephone charges paid	24,000
Add: Outstanding on 31.3.2011	6,400
	30,400

Statement of Affairs of Mr. X as on 31-03-2010 & 31-03-2011

Liabilities	*31-3-2010*	*31-3-2011*	*Assets*	*31-3-2010*	*31-3-2011*
	Rs.	*Rs.*		*Rs.*	*Rs.*
Capital Account			Furniture	-	51,300
(Balancing Figure)	78,800	1,01,300			
Sundry Creditors	84,400	22,400	Stock	11,400	20,000
Outstanding Expenses:			Sundry Debtors	35,400	58,800
Rent	2,400	3,000	Bank	1,08,400	2,500
Electricity & Telephone	———	6,400	Cash	10,400	500
	1,65,600	1,33,100		1,65,600	1,33,100

Reconciliation of Profit

	Rs.
Capital on 31.03.2011	1,01,300
Add: Drawings	1,61,900
	2,63,200
Less: Opening Capital on 1.4.2010	(78,800)
Profit for the year	1,84,400

Working Notes

1. Total Debtors Account

	Rs.		Rs.
To Balance b/d	35,400	By Cash (Balancing Figure)	8,76,600
To Credit Sales	9,00,000	By Balance c/d	58,800
	9,35,400		9,35,400

2. Total Creditors Account

	Rs.		Rs.
To Bank	8,90,000	By Balance b/d	84,400
To Balance c/d	22,400	By Credit Purchases	8,28,000
	9,12,400		9,12,400

3. Cash Account

	Cash (Rs.)	Bank (Rs.)		Cash (Rs.)	Bank (Rs.)
To Balance b/d	10,400	1,08,400	By Bank	10,34,000	-
To Sundry Debtors	8,76,600	-	By Wages	78,000	-
To Cash Sales (Balancing figure)	2,97,500	-	By Rent	30,000	-
To Cash A/c (Contra)	-	10,34,000	By Electricity & Telephone	24,000	-
			By Shop Expenses	18,000	-
			By Professional charges	-	34,000
			By Sundry Creditors A/c	-	8,90,000
			By Furniture	-	54,000
			By Drawings A/c	-	1,61,900
			By Balance c/d	500	2,500
	11,84,500	11,42,400		11,84,500	11,42,400

Question 10

Mr. Ashok keeps his books in Single Entry system. From the following information, prepare Trading and Profit & Loss Account for the year ended 31st March, 2011 and the Balance Sheet as on that date:

Assets and Liabilities	*31.3.2010 (Rs.)*	*31.3.2011 (Rs.)*
Sundry Creditors	*30,000*	*25,000*

Outstanding expenses	*1,000*	*500*
Fixed Assets	*23,000*	*22,000*
Stock	*16,000*	*22,500*
Cash in Hand and at Bank	*14,000*	*16,000*
Sundry Debtors	*?*	*36,000*

Following further details are available for the Current year:

	Rs.		*Rs.*
Total receipts from debtors[*]	*1,30,000*	*Cash purchases*	*2,000*
Returns inward	*3,000*	*Fixed Assets purchased and paid by cheque*	*1,000*
Bad Debts	*1,000*	*Drawings by cheques*	*6,500*
Total Sales	*1,50,000*	*Deposited into the bank*	*10,000*
Discount received	*1,500*	*Withdrawn from bank*	*18,500*
Return outwards	*1,000*	*Cash in hand at the end*	*2,500*
Capital introduced		*Paid to creditors by cheques*	*1,20,000*
(paid into Bank)	*15,000*	*Expenses paid*	*20,000*
Cheques received from Debtors	*1,25,000*		

(November, 2006)

Answer

Trading and Profit and Loss Account

for the year ended on 31st March, 2011

	Particulars		*Amount Rs.*		*Particulars*		*Amount Rs.*
To	Opening Stock		16,000	By	Sales:		
To	Purchases:				Cash (W.N.1)	6,500	
	Cash	2,000			Credit	1,43,500	
	Credit (W.N.3)	1,17,500				1,50,000	
		1,19,500			*Less*:Returns	3,000	1,47,000

[*]The words given as “Cash receivable from debtors” in the question paper have been replaced by Total receipts from debtors” to draw the final accounts.

	Less: Returns	1,000	1,18,500	By	Stock	22,500
To	Gross Profit c/d		35,000			
			1,69,500			1,69,500
To	Expenses	20,000				
	Add: O/s at the end	500		By	Gross profit b/d	35,000
		20,500		By	Discount received	1,500
	Less: O/s at the beginning	1,000	19,500			
To	Bad debts		1,000			
To	Depreciation		2,000			
To	Net Profit		14,000			
			36,500			36,500

Balance Sheet

as on 31st March, 2011

Liabilities		*Amount Rs.*	*Assets*		*Amount Rs.*
Capital (W.N.5)	48,500		Fixed Assets	23,000	
Add: Additional Capital	15,000		*Add:* Purchased during the year	1,000	
Add: Net Profit	14,000		*Less:* Depreciation	2,000	22,000
Less: Drawings	6,500	71,000	Stock		22,500
Creditors		25,000	Cash		2,500
Outstanding Exp.		500	Bank		13,500
			Debtors		36,000
		96,500			96,500

Working Notes:

1. Cash Account

	Particulars	*Amount Rs.*		*Particulars*	*Amount Rs.*
To	Balance b/d	4,500	By	Purchases	2,000
To	Sales (Bal. Fig.)	6,500	By	Bank (contra)	10,000
To	Debtors	5,000	By	Expenses	20,000
To	Bank (contra)	18,500	By	Balance c/d	2,500
		34,500			34,500

2. Bank Account

	Particulars	Amount Rs.		Particulars	Amount Rs.
To	Balance b/d (Bal. Fig.)	9,500	By	Fixed Assets	1,000
To	Capital	15,000	By	Drawings	6,500
To	Cash (contra)	10,000	By	Cash (contra)	18,500
To	Debtors	1,25,000	By	Creditors	1,20,000
			By	Balance c/d	13,500
		1,59,500			1,59,500

3. Creditors Account

	Particulars	Amount Rs.		Particulars	Amount Rs.
To	Bank	1,20,000	By	Balance b/d	30,000
To	Returns	1,000	By	Purchase (Bal. Fig.)	1,17,500
To	Discount received	1,500			
To	Balance c/d	25,000			
		1,47,500			1,47,500

4. Debtors Account

	Particulars	Amount Rs.		Particulars	Amount Rs.
To	Balance b/d (Bal. Fig.)	26,500	By	Cash	5,000
To	Sales	1,43,500	By	Bank	1,25,000
			By	Bad Debts	1,000
			By	Returns	3,000
			By	Balance c/d	36,000
		1,70,000			1,70,000

5. Opening Balance Sheet as on 31.3.2010

Liabilities	Amount Rs.	Assets	Amount Rs.
Creditors	30,000	Fixed Assets	23,000
O/s Expenses	1,000	Stock	16,000
Capital (Bal. Fig.)	48,500	Cash	4,500
		Bank (W.N.2)	9,500
		Debtors (W.N.4)	26,500
	79,500		79,500

Question 11

'A' and 'B' are in partnership sharing profits and losses equally. They keep their books by single entry system. The following balances are available from their books as on 31.3.2010 and 31.3.2011

	31.3.2010	31.3.2011
	Rs.	Rs.
Building	1,50,000	1,50,000
Equipments	2,40,000	2,72,000
Furniture	25,000	25,000
Debtors	?	1,00,000
Creditors	65,000	?
Stock	?	70,000
Bank loan	45,000	35,000
Cash	60,000	?

The transactions during the year ended 31.3.2011 were the following:

	Rs.
Collection from debtors	3,80,000
Payment to creditors	2,50,000
Cash purchases	65,000
Expenses paid	40,000
Drawings by 'A'	30,000

On 1.4.2010 an equipment of book value Rs.20,000 was sold for Rs.15,000. On 1.10.2010, some equipments were purchased.

Cash sales amounted to 10% of sales.

Credit sales amounted to Rs.4,50,000.

Credit purchases were 80% of total purchases.

The firm sells goods at cost plus 25%.

Discount allowed Rs.5,500 during the year.

Discount earned Rs.4,800 during the year.

Outstanding expenses Rs.3,000 as on 31.3.2011.

Capital of 'A' as on 31.3.2010 was Rs.15,000 more than the capital of 'B', equipments and furniture to be depreciated at 10% p.a. and building @ 2% p.a.

You are required to prepare:

(I) Trading and Profit and Loss account for the year ended 31.3.2011 and

(ii) The Balance Sheet as on that date. ***(November, 2007)***

Answer

Trading and Profit and Loss A/c for the year ended 31.3.2011

			Rs.				*Rs.*
To	Opening stock (W.N.3)		1,45,000	By	Sales- Cash (W.N.1)	50,000	
To	Purchases-Cash	65,000			Credit	4,50,000	5,00,000
	Credit (W.N.2)	2,60,000	3,25,000	By	Closing stock		70,000
To	Gross profit c/d		1,00,000				
			5,70,000				5,70,000
To	Loss on sale of equipment (20,000-15,000)		5,000	By	Gross profit b/d		1,00,000
To	Depreciation			By	Discount received		4,800
	Building	3,000					
	Furniture	2,500					
	Equipment (W.N.4)	24,600	30,100				
To	Expenses paid	40,000					
	Add : Outstanding expenses	3,000	43,000				
To	Discount allowed		5,500				
To	Net profit transferred to: A's capital A/c	10,600					
	B's capital A/c	10,600	21,200				
			1,04,800				1,04,800

Balance Sheet as on 31-3-2011

Liabilities		*Rs.*	*Assets*		*Rs.*
A's capital (W.N.7)	2,80,250		Building	1,50,000	
Less: Drawings	30,000		*Less:* Depreciation	3,000	1,47,000
	2,50,250		Equipments	2,72,000	

Add: Net profit	10,600	2,60,850	*Less:* Depreciation	24,600	2,47,400
B's capital (W.N.7)	2,65,250		Furniture	25,000	
Add: Net profit	10,600	2,75,850	*Less:* Depreciation	2,500	22,500
Sundry creditors (W.N.5)		70,200	Debtors		1,00,000
Bank loan		35,000	Stock		70,000
Outstanding expenses		3,000	Cash balance (W.N.8)		58,000
		6,44,900			6,44,900

Working Notes:

1. **Calculation of total sales and cost of goods sold**

   Cash sales = 10% of total sales

   Credit sales = 90% of total sales = Rs.4,50,000

   Total sales = $\frac{4,50,000}{90} \times 100 = 5,00,000$

   Cash sales = 10% of 5,00,000 = Rs.50,000

2. **Calculation of total purchases and credit purchases**

   Cash purchases = Rs.65,000

   Credit purchases = 80% of total purchases

   Cash purchases = 20% of total purchases

   Total purchases = $\frac{65,000}{20} \times 100 = \text{Rs.}3,25,000$

   Credit purchases = 3,25,000 – 65,000 = Rs.2,60,000

3. **Calculation of opening stock**

Stock Account

	Rs.		*Rs.*
To Balance b/d (Bal. Fig.)	1,45,000	By Cost of goods sold $\frac{5,00,000}{125} \times 100$	4,00,000
To Total purchases (W.N.2)	3,25,000	By Balance c/d	70,000
	4,70,000		4,70,000

4. Purchase of equipment & depreciation on equipments

Equipment Account

		Rs.			Rs.
To	Balance b/d	2,40,000	By	Cash -equipment sold	15,000
To	Cash-purchase (Bal. Fig.)	52,000	By	Profit and Loss Accounts (Loss on sale)	5,000
			By	Balance c/d	2,72,000
		2,92,000			2,92,000

Depreciation on equipment:

@ 10% p.a. on Rs.2,20,000 (i.e Rs.2,40,000 – Rs.20,000)	=	22,000
@ 10% p.a. on Rs.52,000 for 6 months (i.e. during the year)	=	2,600
		24,600

5. Calculation of closing balance of creditors

Creditors Account

		Rs.			Rs.
To	Cash	2,50,000	By	Balance b/d	65,000
To	Discount received	4,800	By	Credit purchases (W.N.2)	2,60,000
To	Balance c/d (Bal. Fig.)	70,200			
		3,25,000			3,25,000

6. Calculation of opening balance of debtors

Debtors Account

		Rs.			Rs.
To	Balance b/d (Bal. Fig.)	35,500	By	Cash	3,80,000
To	Sales (Credit)	4,50,000	By	Discount allowed	5,500
			By	Balance c/d	1,00,000
		4,85,500			4,85,500

7. Calculation of capital accounts of A & B as on 31.3.2010

Balance Sheet as on 31.3.2010

Liabilities	*Rs.*	*Assets*	*Rs.*
Combined Capital Accounts of A & B (Bal. Fig.)	5,45,500	Building	1,50,000
Creditors	65,000	Equipments	2,40,000
Bank Loan	45,000	Furniture	25,000

		Debtors (W.N.6)	35,500
		Stock (W.N.3)	1,45,000
		Cash balance	60,000
	6,55,500		6,55,500

	Rs.
Combined Capitals of A & B	5,45,500
Less: Difference in capitals of A and B	15,000
	5,30,500

A's Capital as on 31.3.2010 = $\frac{5,30,500}{2} = 2,65,250 + 15,000 = \text{Rs.}2,80,250$

B's Capital as on 31.3.2010 = $\frac{5,30,500}{2} = \text{Rs.}2,65,250$

8. **Cash Account**

		Rs.			Rs.
To	Balance b/d	60,000	By	Creditors	2,50,000
To	Debtors	3,80,000	By	Purchases	65,000
To	Equipment (sales)	15,000	By	Expenses	40,000
To	Cash sales (W.N.1)	50,000	By	A's drawings	30,000
			By	Bank loan paid (45,000-35,000)	10,000
			By	Equipment purchased (W.N.4)	52,000
			By	Balance c/d (Bal. Fig.)	58,000
		5,05,000			5,05,000

Question 12

Following incomplete information of X Ltd. are given below:

Trading and Profit & Loss Account for the year ended 31st March, 2011

		Rs.'000			Rs.'000
To	*Opening stock*	*700*	*By*	*Sales*	*?*
To	*Purchases*	*?*	*By*	*Closing stock*	*?*

To	Direct expenses	175			
To	Gross profit c/d	?			
		?			?
To	Establishment expenses	740	By	Gross profit b/d	?
To	Interest on loan	60	By	Commission	100
To	Provision for taxation	?			
To	Net profit c/d	?			
		?			?
To	Proposed dividends	?	By	Balance b/f	140
To	Transfer to general reserve	?	By	Net profit b/d	?
To	Balance transferred to Balance sheet	?			
		?			?

Balance Sheet as at 31st March, 2011

Liabilities	Amount (Rs.'000)	Assets	Amount (Rs.'000)
Paid-up capital	1,000	Fixed assets:	
General reserve:		Plant & machinery	1,400
Balance at the beginning of the year	?	Other fixed assets	?
Proposed addition	?	Current assets:	
Profit and loss account	?	Stock	?
10% Loan account	?	Sundry debtors	?
Current liabilities	?	Cash at bank	125
	?		?

Other information:

(i) Current ratio is 2:1.

(ii) Closing stock is 25% of sales.

(iii) Proposed dividends to paid-up capital ratio is 2:3.

(iv) Gross profit ratio is 60% of turnover.

(v) Loan is half of current liabilities.

(vi) Transfer to general reserves to proposed dividends ratio is 1:1.

(vii) *Profit carried forward is 10% of proposed dividends.*

(viii) *Provision for taxation is equal to the amount of net profit of the year.*

(ix) *Balance to credit of general reserve at the beginning of the year is twice the amount transferred to that account from the current year's profits.*

All working notes should be part of your answer. You are required to complete:

(i) *Trading and Profit and Loss account for the year ended 31st March, 2011 and*

(ii) *The Balance Sheet as on that date.* ***(May, 2008)***

Answer

Trading and Profit & Loss A/c

for the year ended 31st March, 2011

		(Rs. in '000s)			*(Rs. in '000s)*
To	Opening stock	700.00	By	Sales (W.N.10)	5366.66
To	Purchases (Bal. Fig.)	2613.33	By	Closing stock (W.N.11)	1341.67
To	Direct expenses	175.00			
To	Gross profit c/d (W.N.9)	3,220.00			
		6,708.33			6,708.33
To	Establishment expenses	740.00	By	Gross profit b/d (Bal. Fig.)	3,220.00
To	Interest on loan	60.00	By	Commission	100.00
To	Provision for tax (W.N.8)	1,260.00			
To	Net profit c/d	1,260.00			
		3,320.00			3,320.00
To	Proposed dividends (W.N.1)	666.67	By	Balance b/f	140.00
To	Transfer to general reserve (W.N.2)	666.67	By	Net profit b/d (Bal. Fig.)	1,260.00
To	Balance transferred to Balance sheet (W.N.3)	66.66			
		1,400.00			1,400.00

Balance Sheet as at 31st March, 2011

Liabilities	*(Rs. in '000s)*	*Assets*	*(Rs. in '000s)*
Paid-up capital	1,000.00	*Fixed assets:*	

General reserve:		Plant & machinery	1,400.00
Balance at the beginning (W.N.14)	1333.34	Other fixed assets (Bal. Fig.)	1066.67
Proposed addition (W.N.2)	666.67	*Current Assets:*	
Profit and loss A/c	66.66	Stock (W.N.11)	1341.67
10% Loan A/c (W.N.4)	600.00	Sundry debtors (W.N.13)	933.33
Current liabilities (W.N.5)	1,200.00	Cash at bank	125.00
	4,866.67		4,866.67

Working Notes:

1. Proposed dividend to paid up capital is 2:3.

   i.e. Proposed dividend = $\frac{2}{3}$ of paid up capital

   = Rs.1,000.00 thousand × $\frac{2}{3}$ = Rs. 666.67 thousand

2. Transfer to General Reserve is equal to proposed dividend i.e., 1:1.

   Proposed dividend is Rs.666.67 thousand,
   therefore general reserve is also Rs. 666.67 thousand.

3. Profit carried forward to Balance Sheet = 10% of Proposed Dividend

   i.e., Rs. 666.67 thousand × 10% = Rs.66.66 thousand

4. 10% Loan implies interest on loan being 10%

   i.e. Rs.60.00 thousand × $^{100}/_{10}$ = Rs.600.00 thousand

5. Loan is half of current liabilities which means current liabilities are twice of loan
   i.e., Rs.600.00 thousand × 2 = Rs.1,200.00 thousand

6. Current Ratio i.e., $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ = 2:1 or $\frac{2}{1}$

   i.e. Current Assets = 2 x Current Liabilities
   or 2 x Rs.1,200.00 thousand = Rs.2,400.00 thousand

7. Current Net Profit

	(Rs. in '000s)
Proposed dividend	666.67
Transfer to general reserve	666.67
Profit and loss balance transferred to balance sheet	66.66
	1,400.00
Less: Balance b/f	140.00
Net profit for the year	1,260.00

8. Provision for taxation is equal to current net profit i.e., = Rs.1,260.00 thousand

9. Gross profit being balancing figure of Profit and Loss A/c = Rs.3,220.00 thousand

10. Gross profit = 60% of sales i.e.

    Rs.3,220.00 thousand = 60% of sales

    Or, sales = $Rs.3{,}220 \text{ thousand} \times \dfrac{100}{60}$ = Rs. 5,366.67 thousand

11. Closing stock is 25% of sales i.e., 25% of Rs. 5,366.67 thousand = Rs.1,341.67 thousand

12. Purchases being balancing figure of Trading A/c = Rs.2,613.33 thousand

13. Debtors = Current Assets – Closing Stock – Cash at Bank

    = Rs.2,400.00 thousand – Rs.1,341.67 thousand – Rs.125.00 thousand
    = Rs.933.33 thousand

14. Balance of general reserve at the beginning of the year is twice of the amount transferred to general reserve during the year i.e. 2 x Rs.666.67 thousand = Rs.1,333.34 thousand

15. Other fixed assets = Total of balance sheet (liabilities side)- Current assets – Plant and machinery

    i.e., Rs.4,866.67 thousand - Rs.2,400.00 thousand – Rs.1,400.00 thousand
    = Rs.1,066.67 thousand

Question 13

Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained Rs. 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	*As on 1.4.2010*	*As on 31.3.2011*
Cash in Hand	*10,000*	*10,000*
Sundry Creditors	*40,000*	*90,000*
Cash at Bank	*50,000 (Cr.)*	*80,000 (Dr.)*
Sundry Debtors	*1,00,000*	*3,50,000*
Stock in Trade	*2,80,000*	*?*

Analysis of his bank pass book reveals the following information:

(a) Payment to creditors Rs. 7,00,000

(b) Payment for business expenses Rs. 1,20,000

(c) Receipts from debtors Rs. 7,50,000

(d) *Loan from Laxman Rs. 1,00,000 taken on 1.10.2007 at 10% per annum*

(e) *Cash deposited in the bank Rs. 1,00,000*

He informs you that he paid creditors for goods Rs. 20,000 in cash and salaries Rs. 40,000 in cash. He has drawn Rs. 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

Prepare:

(i) *Trading and Profit and Loss Account for the year ended 31.3.2011.*

(ii) *Balance Sheet as at 31st March, 2011.* ***(November, 2008)***

Answer

Trading and Profit and Loss Account
for the year ended 31st March, 2011

		Rs.				Rs.
To	Opening stock	2,80,000	By	Sales		
To	Purchases	7,70,000		Cash	2,40,000	
To	Gross Profit @ 25%	3,10,000		Credit	10,00,000	12,40,000
			By	Closing Stock		1,20,000
		13,60,000				13,60,000
To	Salaries	40,000	By	Gross Profit		3,10,000
To	Business expenses	1,20,000				
To	Interest on loan	5,000				
To	Net Profit	1,45,000				
		3,10,000				3,10,000

Balance Sheet as at 31st March, 2011

Liabilities	Rs.	Rs.	*Assets*	Rs.
Ram's capital:			Cash in hand	10,000
Opening	3,00,000		Cash at Bank	80,000
Add: Net Profit	1,45,000		Sundry Debtors	3,50,000
	4,45,000		Stock in trade	1,20,000
Less: Drawings	80,000	3,65,000		
Loan from Laxman (including interest due)		1,05,000		
Sundry Creditors		90,000		
		5,60,000		5,60,000

Working Notes:

1. Sundry Debtors Account

		Rs.			Rs.
To	Balance b/d	1,00,000	By	Bank A/c	7,50,000
To	Credit sales (Bal. fig)	10,00,000	By	Balance c/d	3,50,000
		11,00,000			11,00,000

2. Sundry Creditors Account

		Rs.			Rs.
To	Bank A/c	7,00,000	By	Balance b/d	40,000
To	Cash A/c	20,000	By	Purchases (Bal. fig.)	7,70,000
To	Balance c/d	90,000			
		8,10,000			8,10,000

3. Cash and Bank Account

		Cash Rs.	Bank Rs.			Cash Rs.	Bank Rs.
To	Balance b/d	10,000		By	Balance b/d		50,000
To	Sales (bal. fig)	2,40,000		By	Bank A/c (C)	1,00,000	
To	Cash (C)		1,00,000	By	Salaries	40,000	
To	Debtors		7,50,000	By	Creditors	20,000	7,00,000
To	Laxman's loan		1,00,000	By	Drawings	80,000	
				By	Business expenses		1,20,000
				By	Balance c/d	10,000	80,000
		2,50,000	9,50,000			2,50,000	9,50,000

4. Calculation of Ram's Capital on 1st April, 2010

Balance Sheet as at 01.04.2010

Liabilities	*Rs.*	*Assets*	*Rs.*
Ram's Capital (bal. fig)	3,00,000	Cash in hand	10,000
Bank Overdraft	50,000	Sundry Debtors	1,00,000
Sundry Creditors	40,000	Stock in trade	2,80,000
	3,90,000		3,90,000

Question 14

The closing capital of Mr. B as on 31.3.2010 was Rs.4,00,000. On 1.4.2009 his capital was Rs.3,50,000. His net profit for the year ended 31.3.2010 was Rs.1,00,000. He introduced Rs.30,000 as additional capital in February, 2010. Find out the amount drawn by Mr. B for his domestic expenses. ***(May, 2010)***

Answer

Computation of drawings during the year

	Rs.
Opening capital as on 01.04.2009	3,50,000
Add: Net profit	1,00,000
	4,50,000
Add: Additional capital introduced in February, 2010	30,000
	4,80,000
Less: Closing capital as on 31.3.2010	(4,00,000)
Drawings by Mr. 'B' during the year 2009 – 2010	80,000

Question 15

Lokesh, who keeps books by single entry, had submitted his Income-tax returns to Income-tax authorities showing his incomes to be as follows:

		Rs.
Year ending March 31, 2005	=	*33,075*
Year ending March 31, 2006	=	*33,300*
Year ending March 31, 2007	=	*35,415*
Year ending March 31, 2008	=	*61,875*
Year ending March 31, 2009	=	*54,630*
Year ending March 31, 2010	=	*41,670*

The Income-tax officer is not satisfied as to the accuracy of the incomes returned. You are appointed as a consultant to assist in establishing correctness of the incomes returned and for that purpose you are given the following information:

(a) Business liabilities and assets at March 31, 2004 were:

Creditors: Rs.32,940, Furntiure & Fittings: Rs.22,500, Stock : Rs.24,390 (at selling price which is 25% above cost), Debtors: Rs.11,025, Cash at Bank and in hand Rs.15,615.

(b) *Lokesh owned his brother Rs.18,000 on March 31, 2004. On February 15, 2007 he repaid this amount and on April 1, 2009, he lent his brother Rs.13,500.*

(c) *Lokesh owns a house which he purchased in 1999 for Rs.90,000 and a car which he purchased in October, 2005 for Rs.33,750. In January, 2009, he bought debentures in X Ltd. having face value of Rs.40,000 for Rs.33,750.*

(d) *In May, 2009 a sum of Rs.13,500 was stolen from his house.*

(e) *Lokesh estimates that his living expenses have been 2004-05 – Rs.13,500; 2005-06 – Rs.18,000; 2006-07 – Rs.27,000; 2007-08, 2008-09 and 2009-10 – Rs.31,500 p.a. exclusive of the amount stolen.*

(f) *On March 31, 2010 business liabilities and assets were: Creditors Rs.37,800, Furniture, Fixtures and Fittings Rs.40,500, Stock Rs.54,330 (at selling price with a gross profit of 25%), Debtors Rs.26,640, Cash-in-Hand and at Bank Rs.29,025.*

From the information submitted, prepare statements showing whether or not the incomes declared by Lokesh are correct. ***(May, 2010)***

Answer

Statement of Affairs of 'Lokesh'
as on March 31, 2004

Liabilities	*Rs.*	*Assets*	*Rs.*
Creditors	32,940	Furniture, Fixtures & Fittings	22,500
Loan from brother	18,000	Stock (24,390 x 100/125)	19,512
Capital (Bal. fig.)	1,07,712	Debtors	11,025
		Cash-in-Hand and at Bank	15,615
		Building (House)	90,000
	1,58,652		1,58,652

Statement of Affairs of 'Lokesh' as on March 31, 2010

Liabilities	*Rs.*	*Assets*	*Rs.*
Creditors	37,800	Furniture, Fixtures & Fittings	40,500
Capital (Bal. fig.)	2,70,112	Stock (54,330 x 75%)	40,747
		Debtors	26,640
		Cash-in-Hand and at Bank	29,025
		Loan to Brother	13,500
		Building (House)	90,000

		Car	33,750
		Debentures in 'X Ltd.'	33,750
	3,07,912		3,07,912

Statement of Profit:

Particulars			***Rs.***
Capital as on March 31, 2010			2,70,112
Add: Drawings			
2004-05	13,500		
2005-06	18,000		
2006-07	27,000		
2007-08	31,500		
2008-09	31,500		
2009-10	31,500		1,53,000
			4,23,112
Add: Amount stolen in May, 2009			13,500
			4,36,612
Less: Opening Capital as on March 31, 2004			(1,07,712)
			3,28,900
Less: Profit as shown by I.T.O.			
For the year ending March 31, 2005		33,075	
For the year ending March 31, 2006		33,300	
For the year ending March 31, 2007		35,415	
For the year ending march 31, 2008		61,875	
For the year ending March 31, 2009		54,630	
For the year ending March 31, 2010		41,670	(2,59,965)
Understatement of Income			68,935

Note: ***In the absence of the information regarding depreciation in the question, no depreciation has been provided on Building (house) and Car. The candidates may assume any appropriate rate of depreciation and can provide depreciation.***

EXERCISES

1. *K. Azad, who is in business as a wholesaler in sunflower oil, is a client of your accounting firm. You are required to draw up his final accounts for the year ended 31.3.2011.*

   From the files, you pick up his Balance Sheet as at 31.3.2010 reading as below:

Balance Sheet as at 31.3.2010

Liabilities	Rs.	Rs.
K. Azad's Capital		1,50,000
Creditors for Oil Purchases		2,00,000
12% Security Deposit from Customers		50,000
Creditors for Expenses :		
Rent		6,000
Salaries		4,000
Commission		20,000
		4,30,000
Assets		
Cash and Bank Balances		75,000
Debtors		1,60,000
Stock of Oil (125 tins)		1,25,000
Furniture	30,000	
Less : Depreciation	3,000	27,000
Rent Advance		12,000
Electiricity Deposit		1,000
3–Wheeler Tempo Van	40,000	
Less : Depreciation	10,000	30,000
		4,30,000

A Summary of the rough Cash Book of K. Azad for the year ended 31.3.2011 is as below :

Cash and Bank Summary

Receipts	Rs.
Cash Sales	5,26,500
Collections from Debtors	26,73,500
Payments	
To Landlord	79,000
Salaries	48,000
Miscellaneous Office Expenses	12,000
Commission	20,000
Personal Income–tax	50,000
Transfer on 1.10.2010 to 12% Fixed Deposit	6,00,000
To Creditors for Oil Supplies	24,00,000

A scrutiny of the other records gives you the following information :

(i) *During the year oil was purchased at 250 tins per month basis at a unit cost of Rs. 1,000. 5 tins were damaged in transit in respect of which insurance claim has been preferred. The surveyors have since approved the claim at 80%. The damaged ones were sold for Rs. 1,500 which is included in the cash sales. One tin has been used up for personal consumption. Total number of tins sold during the year was 3,000 at a unit price of Rs. 1,750.*

(ii) *Rent until 30.9.2010 was Rs. 6,000 per month and was increased thereafter by Rs. 1,000 per month. Additional advance rent of Rs. 2,000 was paid and this is included in the figure of payments to landlord.*

(iii) *Provide depreciation at 10% and 25% of WDV on furniture and tempo van respectively.*

(iv) *It is further noticed that a customer has paid Rs. 10,000 on 31.3.2011 as security deposit by cash. One of the staff has defalcated. The claim against the Insurance Company is pending.*

You are requested to prepare final accounts for the year ended 31.3.2011

(Hints: Gross Profit Rs.22.50.000; net Profit Rs. 21,26,300; Total of Balance Sheet Rs. 30,98,300)

2. *The following is the Balance Sheet of Sanjay, a small trader as on 31.3.2010 :*

(Figures in Rs. '000)

Liabilities	*Rs.*	*Assets*	*Rs.*
Capital	*200*	*Fixed Assets*	*145*
Creditors	*50*	*Stock*	*40*
		Debtors	*50*
		Cash in Hand	*5*
		Cash at Bank	*10*
	250		*250*

A fire destroyed the accounting records as well as the closing cash of the trader on 31.3.2011. However, the following information was available :

(a) *Debtors and creditors on 31.3.2011 showed an increase of 20% as compared to 31.3.2011.*

(b) *Credit Period :*

Debtors – 1 month *Creditors – 2 months*

(c) *Stock was maintained at the same level throughout the year.*

(d) *Cash sales constituted 20% of total sales.*

(e) *All purchases were for credit only.*

(f) *Current ratio as on 31.3.2011 was exactly 2.*

(g) *Total expenses excluding depreciation for the year amounted to Rs. 2,50,000.*

(h) *Depreciation was provided at 10% on the closing value of fixed assets.*

(i) *Bank and cash transactions:*

(1) *Payments to creditors included Rs. 50,000 by cash.*

(2) *Receipts from debtors included Rs. 5,90,000 by way of cheques.*

(3) *Cash deposited into the bank Rs. 1,20,000.*

(4) *Personal drawings from bank Rs. 50,000.*

(5) *Fixed assets purchased and paid by cheques Rs. 2,25,000.*

You are required to prepare :

(a) *The Trading and Profit & Loss Account of Sanjay for the year ended 31.3.2011 and*

(b) *A Balance Sheet on that date.*

For your exercise, assume cash destroyed by fire is written off in the Profit and Loss Account

(Hints: Gross 540; Net Profit 243; and Total Balance Sheet 453 – Rs. in '000s))

3. *Shri Rashid furnishes you with the following information relating to his business :*

(a) *Assets and liabilities as on*

	1.1.2011	31.12.2011
	Rs.	Rs.
Furniture (w.d.v)	6,000	6,350
Stock at cost	8,000	7,000
Sundry Debtors	16,000	?
Sundry Creditors	11,000	15,000
Prepaid expenses	600	700
Unpaid expenses	2,000	1,800
Cash in hand and at bank	1,200	625

(b) *Receipts and payments during 2011 :*

Collections from debtors, after allowing discount of Rs. 1,500 amounted to Rs. 58,500.

Collections on discounting of bills of exchange, after deduction of discount of Rs. 125 by the bank, totalled to Rs. 6,125.

Creditors of Rs. 40,000 were paid Rs. 39,200 in full settlement of their dues.

Payment for freight inwards Rs. 3,000.

Amounts withdrawn for personal use Rs. 7,000.

Payment for office furniture Rs. 1,000.

Investment carrying annual interest of 4% were purchased at Rs. 96 on 1st July, 2011 and payment made therefor.

Expenses including salaries paid Rs. 14,500.

Miscellaneous receipts Rs. 500.

(c) *Bills of exchange drawn on and accepted by customers during the year amounted to Rs. 10,000. Of these, bills of exchange of Rs. 2,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs. 400 was dishonoured.*

(d) *Goods costing Rs. 900 were used as advertising materials.*

(e) *Goods are invariably sold to show a gross profit of $33^1/_3$% on sales.*

(f) *Difference in cash book, if any, is to be treated as further drawing or introduction by Shri Rashid.*

(g) *Provide at 2.5% for doubtful debts on closing debtors.*

Rashid asks you to prepare trading and profit and loss a/c for the year ended 31st December, 2011 and the balance sheet as on that date.

(Hints: Gross Profit Rs.24,350; Net Profit Rs. 7,791; Total of Balance Sheet = Rs.35,487)