

Short Question for NCERT Accountancy Solutions Class 11 Chapter 10

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

Recording adjusting entries in preparing final accounts is necessary because of the following reasons:

1. It helps in assessing whether the final accounts reflect true profit or loss, also it shows true financial position of a business.
2. It ensures accounts comply with the accrual basis of accounting.
3. It makes sure that all financial transaction belong to current fiscal year. No transaction of past or future are taken into account.
4. It provides the scope for introducing different provisions which can be made at year end, only after assessing whole year's performance.

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

Cost of goods that remains unsold in the inventory after completion of the accounting period is referred to as the closing stock. The closing stock value is determined by comparing the realisable value and cost price. The lesser among two values is considered as the value of closing stock.

In final accounts the closing stock is adjusted by:

- 1) Crediting the closing stock to trading and profit and loss account.
- 2) Placing it on the asset part of the balance sheet.

Following entries need to be passed for adjustment

Closing Stock A/c Dr.

To Trading A/c

3. State the meaning of:

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

(a) **Outstanding Expenses:** Such expenses are incurred in the present accounting period but are not paid. As expense is generated during accounting period it makes perfect sense to charge it against revenue earned to arrive at true profit or loss. These are liabilities and need to be paid.

(b) **Prepaid Expenses:** Those type of expenses in which the associated benefit has not been materialized, but the payment is already done in advance are known as prepaid expenses.

(c) **Income received in advance:** The income is received in the present accounting period and the benefits will be realised in the upcoming accounting period, such income is called income received in advance.

(d) **Accrued Income:** Income that is earned in the accounting period, but yet to be received by end of accounting period is known as accrued income. It is due to be received in the future accounting periods. It is shown on asset side of balance sheet.

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

Income statement for the period ended

Particulars	Amount ₹	Amount ₹
Sales		
Less: Sales returns (Return inwards)		
Total Sales Revenue		
Cost of goods		
Purchases		
Less: Purchase returns (Return outwards)		
Carriage on purchases		

Balance sheet

Particulars	Amount ₹	Amount ₹
Current Assets		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
Prepaid expenses		
Total current assets		
Current Liabilities		
.....		
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.....		
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.....		
.....		
Total current Liabilities		
Non-Current Assets		
.....		
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.....		
Total non-current assets		
Non-Current Liabilities		
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..... Total non-current Liabilities Capital		
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5. Why is it necessary to create a provision for doubtful-debts at the time of preparation of final accounts?

In an ideal scenario, it is expected that debtors will be paying all the amount owed by them to the business, in reality it doesn't happen as some debtors might default on paying. It can be the full amount or a part of the sum borrowed. It is uncertain as to how much will that debt actually becomes bad debt. A business has to make a reasonable estimate for such an event. This estimate is called as provision for bad debts. It is created by debiting P & L account.

Profit and Loss A/c Dr

To Provision for doubtful debts A/c

6. What adjusting entries would you record for the following?

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

(a) Depreciation

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Depreciation			

Liabilities	Amount	Assets	Amount
		Assets	
		Less: Depreciation	

(b) Discount on debtors

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Discount on Debtors			

Liabilities	Amount	Assets	Amount
		Debtors	
		Less: Discount on Debtors	

(c) Interest on capital

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Interest on Capital			

Liabilities	Amount	Assets	Amount
Capital			
Add: Interest on Capital			

(d) Manager's commission

Two types of manager commission can be seen.

Case 1: When commission is applied on the profit before commission being charged.

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Manager's Commission			

Liabilities	Amount	Assets	Amount
Outstanding Manager's Commission			

Case 2: When commission is applied on the profit after charging the commission.

Dr.		Cr.					
Particulars	Amount	Particulars	Amount	Liabilities	Amount	Assets	Amount
Manager's Commission				Outstanding Manager's Commission			

7. What is meant by provision for discount on debtors?

A business allows discounts to debtors for encouraging them to clear the debts. The amount of discount that a debtor will receive is estimated and accounted for by creating a provision for discount on debtors. It is only for those debtors who repay on time. The journal entry for such event can be written as:

Profit and Loss A/c

Dr.

To Provision for Discount on Debtors A/c

Discount to debtors is an expense and hence it is shown in expense side of P & L account and deducted from assets side in the balance sheet.

8. Give the journal entries for the following adjustments:

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

S. No.	Particulars	L.F.	Debit ₹	Credit ₹
a)	Salaries A/c Dr. To Outstanding Salaries A/c (Salaries outstanding for Rs 3,500)		3,500	3,500
b)	Rent A/c Dr. To Outstanding Rent A/c	—	500	500
c)	Prepaid Insurance A/c Dr. To Insurance A/c (Insurance premium paid in advance for 3 months i.e. ₹ 4000)		4,000	4,000
d)	Furniture A/c Dr. To Purchases A/c (Correction entry for Wrong debit of Furniture to Purchases Account)		7,000	7,000

(Rent unpaid for one month = $6000/12 = ₹ 500$)

Long Question for NCERT Accountancy Solutions Class 11 Chapter 10

1. What are adjusting entries? Why are they necessary for preparing the final accounts?

In accrual base of accounting, profit and loss for a year is not dependent only in revenues in cash or expenses paid in cash during the year. Some part of the receipts and expenses that occurred in a year might be belonging to previous/future accounting period. There can be some expenses which are yet to be brought to books of account. Adjusting these items will provide a true and fair view of business.

Recording adjusting entries in preparing final accounts is necessary because of the following reasons:

1. It helps in assessing whether the final accounts reflect true profit or loss also it shows true financial position of the business.
2. It ensures accounts comply with the accrual basis of accounting.
3. It makes sure that all financial transaction belong to current fiscal year. No transaction of past or future are taken into account.
4. It provides the scope for introducing various provisions which can be made at year end, only after assessing whole year's performance.

2. What is meant by provision for doubtful-debts? How are the relevant accounts prepared and what journal entries are recorded in the final accounts? How is the amount for provision for doubtful-debts calculated?

In an ideal scenario, it is expected that debtors will be paying all the amount owed by them to the business, in reality it doesn't happen as some debtors might default on paying. It can be the full amount or a part of the sum borrowed. It is uncertain as to how much will that debt actually becomes bad debt. A business has to make a reasonable estimate for such an event. This estimate is called as provision for bad debts. It is created by debiting P & L account.

Profit and Loss A/c Dr

To Provision for doubtful debts A/c

Provision for doubtful debts is shown as deduction from debtors on asset side of balance sheet. It presents a true and fair view of business. Provision for doubtful debts created at the end of the accounting period is carried forward to the next accounting period.

Adjustment entries for the provision for doubtful debts

Profit and Loss Account

Expenses/Losses	Amount ₹	Revenues/Gains	Amount ₹
Provision for doubtful debts			
Bad debts			
Further bad debts			
New provision			
Less: Old Provision			

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
		Sundry debtors	
		Less: Further bad debts	
		Less: Provision for doubtful debts	

3. Show the treatment of prepaid expenses, depreciation and 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?

(i) Prepaid expenses

(a) **When given inside the Trial Balance:** It will be added in the asset side of the Balance Sheet only.

Balance Sheet

Assets	Amount
Prepaid Expenses	

(b) **When given outside the Trial Balance:** It will be posted in the P & L account as well as Balance Sheet

Dr.				Cr.			
Particulars	Amount	Particulars	Amount	Liabilities	Amount	Assets	Amount
Concerned Expenses						Prepaid Expenses	
Less: Prepaid Expenses							

Balance Sheet

Assets	Amount
Prepaid Expenses	

(ii) Depreciation

In trial balance depreciation is shown in P & L account as it is an expense. When present in trial balance it means deduction has taken from concerned asset, when depreciation is shown outside trial balance, then it needs to be recorded both in P & L account as well as balance sheet.

1) Inside Trial Balance

Profit and Loss Account

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Depreciation			

2) Outside Trial Balance

Dr.				Cr.			
Particulars	Amount	Particulars	Amount	Liabilities	Amount	Assets	Amount
Depreciation on Concerned Assets						Concerned Assets	
						Less: Depreciation	

(iii) Closing stock

(a) Closing stock is valued based on the least among cost price or realisable value. If present in Trial Balance, posted only in Assets side of Balance Sheet.

Balance Sheet

Liabilities	Amount	Assets	Amount
		Closing Stock	

(b) When closing stock is given outside trial balance, it gets posted in two places i.e. P & L account and Balance Sheet

Dr.		Cr.	
Particulars	Amount	Gains/Revenue	Amount
		Closing Stock	

Liabilities	Amount	Assets	Amount
		Closing Stock	



Numerical Question for NCERT Accountancy Solutions Class 11 Chapter 10

1. Prepare a trading and profit and loss account for the year ending December 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 ₹	Account Title	Amount ₹
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		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		
Bills receivable	50,000		

Building	1,10,000	
	5,51,800	5,51,800

Adjustments

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

The solution is given below:

Books of M/s. Rahul Sons.

Trading Account for the year ending December 31, 2017

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	50,000	Sales	1,80,000
Purchases	1,75,000	Less: Sales Returns	3,000
Less: Purchase Returns	2,000	Closing Stock	32,000
Wages	3,000	Gross Loss	17,000
	2,26,000		2,26,000

Profit and Loss Account for the year ending December 31, 2017

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Gross Loss	17,000	Discount Received	500
Salary	8,000	Commission Received	4,000
<i>Add:</i> Outstanding Salary	1,000	<i>Less:</i> Advance Commission	1,000
	9,000		3,000
Discount Allowed	1,000		
Insurance	3,200	Rent	6,000
<i>Less:</i> Insurance Prepaid	800	<i>Add:</i> Rent Receivable	2,000
	2,400		8,000
Rent Rates and Taxes	4,300		
Trade Expenses	1,500	Net Loss	43,189
Bad-Debts	2,000		
<i>Add:</i> Further Bad-Debts	1,000		
<i>Add:</i> New Provision	4,050		
<i>Less:</i> Old Provision	2,500		
	4,550		
Discount on Debtors	1,539		
Postage	300		
Telegram Expenses	200		
Depreciation on Building	6,600		
Repair and Renewals	1,600		
Travelling Expenses	4,200		
Legal Fees	500		

	54,689	54,689

Balance Sheet for the year ending December 31, 2017

Liabilities	Amount ₹	Assets	Amount ₹
Capital	3,00,000	Debtors	82,000
Less: Net Loss	43,189	Less: Further Bad-Debts	1,000
Less: Drawings	32,000	Less: New Provision	4,050
	2,24,811	Less: Discount on Debtors (on ₹ 76,950)	1,539
Bills Payable	22,000		75,411
Loan	34,800	B/R	50,000
Advance Commission	1,000	Buildings	1,10,000
Outstanding Salary	1,000	Less: 6% Depreciation	6,600
			1,03,400
		Rent Receivable	2,000
		Prepaid Insurance	800
		Closing Stock	32,000
		Furniture and Fittings	20,000
	2,83,611		2,83,611

2. 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 his trial balance:

<i>Account Title</i>	<i>Amount</i>	<i>Account Title</i>	<i>Amount</i>
	₹		₹
Opening stock	35,000	Sales	2,50,000
Purchases	1,25,000	Purchase return	6,000
Return inwards	25,000	Creditors	10,000
Postage and Telegram	600	Bills payable	20,000
Salary	12,300	Discount	1,000
Wages	3,000	Provision for bad debts	4,500
Rent and Rates	1,000	Interest received	5,400
Packing and Transport	500	Capital	75,000
General expense	400		
Insurance	4,000		
Debtors	50,000		
Cash in hand	20,000		
Cash at bank	40,000		
Machinery	20,000		
Lighting and Heating	5,000		
Discount	3,500		
Bad debts	3,500		
Investment	23,100		
	3,71,900		3,71,900

Adjustments

1. Depreciation charged on machinery @ 5% p.a.
2. Further bad debts ₹ 1,500, discount on debtors @ 5% and make a provision on debtors @ 6%.
3. Wages prepaid ₹ 1,000.
4. Interest on investment @ 5% p.a.
5. Closing stock 10,000.

The solution is given below:

Dr.	Amount ₹	Cr.	Amount ₹
Opening Stock	35,000	Sales	2,50,000
Purchases	1,25,000	Less: Sales Returns	(25,000)
Less: Purchase Returns	(6,000)	Closing Stock	10,000
Wages	3,000		
Less: Prepaid Wages	(1,000)		
Gross Profit	79,000		
	2,35,000		
			2,35,000

Profit and Loss Account for the year ending March 31, 2017

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Bad Debts	3,500	Gross Profit	79,000
<i>Add:</i> Further Bad-debts	1,500	Interest on Accrued Investment	1,155
<i>Add:</i> New Provision	2,910	Discount	1,000
<i>Less:</i> Old Provision	4,500	Interest Received	5,400
	3,410		
Discount on Debtors	2,280		
Postage and Telegram	600		
Salary	12,300		
Rent and Rates	1,000		
Packing and Transport	500		
General Expenses	400		
Insurance	4,000		
Discount	3,500		
Depreciation on Machinery	1,000		
Lighting and Heating	5,000		
Net Profit	52,565		
	86,555		86,555

Balance Sheet

as on March 31, 2017

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	10,000	Cash in Hand	20,000
Bills Payable	20,000	Cash at Bank	40,000
Capital	75,000		
<i>Add: Net Profit</i>	52,565	Debtors	50,000
	1,27,565	<i>Less: Further Bad-Debts</i>	1,500
		<i>Less New Provision</i>	2,910
		<i>Less: Discount on Debtors</i>	2,280
			43,310
		Investment	23,100
		<i>Add: Interest on Investment</i>	1,155
			24,255
		Machinery	20,000
		<i>Less: Depreciation</i>	1,000
			19,000
		Prepaid Wages	1,000
		Closing Stock	10,000
	1,57,565		1,57,565

3. The following balances has been extracted from the trial of M/s Runway Shine Ltd. Prepare a trading and profit and loss account and a balance sheet as on March 31, 2017.

Account Title	Amount ₹	Account Title	Amount ₹
Purchases	1,50,000	Sales	2,50,000
Opening stock	50,000	Return outwards	4,500
Return inwards	2,000	Interest received	3,500
Carriage inwards	4,500	Discount received	400
Cash in hand	77,800	Creditors	1,25,000
Cash at bank	60,800	Bill payable	6,040
Wages	2,400	Capital	1,00,000
Printing and Stationery	4,500		
Discount	400		
Bad debts	1,500		
Insurance	2,500		
Investment	32,000		
Debtors	53,000		
Bills receivable	20,000		
Postage and Telegraph	400		
Commission	200		
Interest	1,000		
Repair	440		
Lighting Charges	500		
Telephone charges	100		
Carriage outward	400		

Motor car	25,000	
	4,89,440	4,89,440

Adjustments

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

The solution is given below:

Trading Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	50,000	Sales	2,50,000
Purchases	1,50,000	Less: Return Inwards	2,000
Less: Return Outwards	4,500	Closing Stock	32,500
	1,45,500		
Carriage Inwards	4,500		
Wages	2,400		
Add: Outstanding Wages	100		
Gross Profit	78,000		

	2,80,500	2,80,500

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Carriage Outward	400	Gross Profit	78,000
Printing and Stationery	4,500	Interest Received	3,500
Discount	400	Discount Received	400
Bad Debts	1,500	Interest Received on Investment	1,600
<i>Add: Further Bad Debts</i>	1,000		
<i>Add: New Provision</i>	2,600		
	5,100		
Discount on Debtors	500		
Insurance	2,500		
Postage and Telegraph	400		
Commission	200		
Interest	1,000		
<i>Add: Outstanding Interest</i>	200		
	1,200		
Repair	440		
Lighting Charges	500		
Telephone Charges	100		
Depreciation on Motor Car	1,250		
Net Profit	66,010		

83,500	83,500

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	1,25,000	Cash in Hand	77,800
		<i>Add: Interest Received</i>	79,400
		1,600	
Bills Payable	6,040	Cash at Bank	60,800
Capital	1,00,000	Investment	32,000
<i>Add: Net Profit</i>	66,010	Debtors	53,000
		<i>Less: Further Bad Debts</i>	1,000
Outstanding Interest	100	<i>Less: New Provision</i>	2,600
Outstanding Wages	200	<i>Less: Discount on Debtors</i>	500
		48,900	
		Motor Car	25,000
		<i>Less: Depreciation</i>	1,250
		23,750	
		Bills Receivable	20,000
		Closing Stock	32,500
	2,97,350		2,97,350

4. The following balances have been extracted from the trial of M/s Haryana Chemical Ltd. You are required to prepare a trading and profit and loss account and balance sheet as on March 31, 2017 from the given information.

Account Title	Amount ₹	Account Title	Amount ₹
Opening stock	50,000	Sales	3,50,000
Purchases	1,25,500	Purchases return	2,500
Sales return	2,000	Creditors	25,000
Cash in hand	21,200	Rent	5,000
Cash at bank	12,000	Interest	2,000
Carriage	100	Bills payable	1,71,700
Free hold land	3,20,000	Capital	3,00,000
Patents	1,20,000		
General Expenses	2,000		
Sundry Debtors	32,500		
Building	86,000		
Machinery	34,500		
Insurance	12,400		
Drawings	10,000		
Motor vehicle	10,500		
Bad debts	2,000		
Light and Water	1,200		
Trade expenses	2,000		
Power	3,900		
Salary and Wages	5,400		

Loan a 15% (01.09.2017)	3,000		
	8,56,200		8,56,200

Adjustments

1. Closing stock was valued at the end of the year ₹ 40,000.
2. Salary amounting ₹ 500 and trade expense ₹ 300 are due.
3. Depreciation charged on building and machinery are @ 4% and @ 5% respectively.
4. Make a provision of @ 5% on sundry debtors.

The solution is given below:

Trading Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	50,000	Sales	3,50,000
Purchases	1,25,500	Less: Return	2,000
Less: Return Outwards	2,500	Closing Stock	40,000
	1,23,000		
Carriage	100		
Power	3,900		
Gross Profit	2,11,000		
	3,88,000		3,88,000

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
General Expenses	2,000	Gross Profit	2,11,000
Insurance	12,400	Rent	5,000
Bad Debts	2,000	Interest	2,000
<i>Add:</i> Provision for Bad Debts	1,625	Accrued Interest on Loan	150
Light and Water	1,200		
Trade Expenses	2,000		
<i>Add:</i> Outstanding Trade Expenses	300		
Salary and Wages	5,400		
<i>Add:</i> Outstanding Salary	500		
Depreciation on Building	3,440		
Depreciation on Machinery	1,725		
Net Profit	1,85,560		
	2,18,150		2,18,150

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	3,00,000	Cash in Hand	21,200
<i>Add:</i> Net Profit	1,85,560	Cash at Bank	12,000
<i>Less:</i> Drawings	10,000	Freehold Land	3,20,000
Creditors	25,000	Patents	1,20,000
Bills Payable	1,71,700	Sundry Debtors	32,500
Outstanding Trade Expenses	300	<i>Less:</i> Provision for Bad Debts	1,625
Outstanding Salary	500		30,875
		Building	86,000
		<i>Less:</i> Depreciation	3,440
			82,560
		Machinery	34,500
		<i>Less:</i> Depreciation	1,725
			32,775
		Motor Vehicle	10,500
		Loan	3,000
		<i>Add:</i> Interest on Loan	150
			3,150
		Closing Stock	40,000
	6,73,060		6,73,060

Working Note

The loan given bears an interest of 15% p.a. and interest is unpaid from 01-9-2017 to 31-12-2017. Thus, interest for loan is outstanding for four months. It is calculated as follows:

$$\text{Interest on loan} = 3000 \times \frac{15}{100} \times \frac{4}{12} = ₹ 150$$

5. 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 ₹	Account Title	Amount ₹
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 Fixture	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 ₹ 45,000.
2. Provision for doubtful debts is to be maintained @ 2% on debtors.
3. Depreciation charged on: furniture and fixture @ 5%, plant and Machinery @ 6% and motor car @ 10%.
4. A Machine of ₹ 30,000 was purchased on October 01, 2016.
5. The manager is entitle to a commission of @ 10% of the net profit after charging such commission.

The solution is given below:

Trading Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	25,000	Sales	2,76,000
Purchases	1,80,000	Less: Return Inwards	7,000
Less: Return Outwards	2,000	Closing Stock	45,000
Wages	10,000		
Freight	4,000		
Gross Profit	97,000		
	3,14,000		3,14,000

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Trade Expenses	2,400	Gross Profit	97,000
Printing and Stationery	2,000	Old Provision for Bad Debts	4,000
Rent Rates and Taxes	5,000	Less: Bad Debts	1,000
Discount Allowed	2,000	Less: New Provision	1,600
Depreciation on Motor Car	5,100		
Depreciation on Furniture and Fixtures	1,000		
*Depreciation on P & M of ₹ 70,000	4,200		
**Depreciation on P & M of ₹ 30,000	900		
Net Profit Before Manager's Commission	75,800		
	1,02,400		1,02,400
Manager's Commission	6,891		
Net Profit After Commission	68,909	Balance b/d	75,800
	75,800		75,800

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	2,00,000	Cash in Hand	6,000
<i>Add:</i> Net Profit	68,909	Sundry Debtors	80,000
<i>Less:</i> Drawings	20,000	<i>Less:</i> New Provision	1,600
	2,48,909		78,400
O/S Manager's Commission	6,891	Furniture and Fixtures	20,000
Bank Overdraft	12,000	<i>Less:</i> Depreciation	1,000
Creditors	60,000		19,000
Bills Payable	15,400	Plant and Machinery	1,00,000
		<i>Less:</i> Depreciation 1*	4,200
		<i>Less:</i> Depreciation 2**	900
			94,900
		Bills Receivable	14,000
		Investments	40,000
		Motor Car	51,000
		<i>Less:</i> Depreciation	5,100
		Closing Stock	45,000
	3,43,200		3,43,200

Working Notes

1. Manager's Commission

$$\begin{aligned} &= \text{Net Profit before commission} \times \frac{10}{110} \\ &= 75,800 \times \frac{10}{110} \\ &= ₹ 6,891 \end{aligned}$$

2. Out of the machinery of ₹ 1, 00,000, ₹ 30,000 worth of machinery was purchased on 01/October/2016. Therefore, the depreciation on this machinery will be for 6 months at 6% p.a.

$$\text{*Depreciation on machinery (30,000)} = 30,000 \times \frac{6}{12} \times \frac{6}{100} = ₹ 900$$

**The rest of the machinery of ₹ 70,000 will bear depreciation at 6% p.a.

$$\text{Depreciation on machinery (70,000)} = 70,000 \times \frac{6}{12} = ₹ 900$$

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

Account Title	Amount ₹	Account Title	Amount ₹
Sundry debtors	1,00,000	Bills payable	85,550
Bad debts	3,000	Sundry creditors	25,000
Trade expenses	2,500	Provision for bad debts	1,500
Printing and Stationary	5,000	Return outwards	4,500
Rent, Rates and Taxes	3,450	Capital	2,50,000
Freight	2,250	Discount received	3,500
Sales return	6,000	Interest received	11,260
Motor car	25,000	Sales	1,00,000
Opening stock	75,550		
Furniture and Fixture	15,500		
Purchases	75,000		
Drawings	13,560		
Investments	65,500		
Cash in hand	36,000		
Cash in bank	53,000		
	4,81,310		4,81,310

Adjustments

1. Closing stock was valued ₹ 35,000.
2. Depreciation charged on furniture and fixture @ 5%.
3. Further bad debts ₹ 1,000. Make a 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 ₹ 200.
7. Discount on debtors 2%.

The solution is given below:

Trading Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	75,550	Sales	1,00,000
Purchases	75,000	Less: Sales Inwards	6,000
Less: Return Outwards	4,500	Closing Stock	35,000
Freight	2,250	Gross Loss	19,300
	1,48,300		1,48,300

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Gross Loss	19,300	Discount	3,500
Bad Debts	3,000	Interest Received	11,260
Add: Further Bad-Debts	1,000	Interest on Drawings	814
Add: New Provision	4,950	Net Loss	27,482
Less: Old Provision	1,500		
	7,450		
Discount on Debtors	1,881		
Trade Expenses	2,500		
Printing and Stationery	5,000		
Rent, Rates and Taxes	3,450		
Add: O/S Rent, Rates and Taxes	200		
	3,650		
Depreciation on Furniture	775		
Depreciation on Motor Car	2,500		
	43,056		43,056

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Bills Payable	85,550	Sundry Debtors	100,000
Sundry Creditors	25,000	<i>Less: Further Debts</i>	1,000
Capital	2,50,000	<i>Less: New Provision</i>	4,950
<i>Less: Net Loss</i>	27,482	<i>Less: Discount on Debtors</i>	1,881
<i>Less: Drawings</i>	13,560		92,169
<i>Less: Interest on Drawings</i>	814	Motor Car	25,000
	2,08,144	<i>Less: Depreciation</i>	2,500
Outstanding Rent, Rates and Taxes	200		22,500
		Furniture and Fixtures	15,500
		<i>Less: Depreciation</i>	775
			14,725
		Investments	65,500
		Cash in Hand	36,000
		Cash in Bank	53,000
		Closing Stock	35,000
	3,18,894		3,18,894

7. 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.

Account Title	Amount ₹	Account Title	Amount ₹
Opening stock	2,26,000	Sales	6,80,000
Purchases	4,40,000	Return outwards	15,000
Drawings	75,000	Creditors	50,000
Buildings	1,00,000	Bills payable	63,700
Motor van	30,000	Interest received	20,000
Freight inwards	3,400	Capital	3,50,000
Sales return	10,000		
Trade expense	3,300		
Heat and Power	8,000		
Salary and Wages	5,000		
Legal expense	3,000		
Postage and Telegram	1,000		
Bad debts	6,500		
Cash in hand	79,000		
Cash at bank	98,000		
Sundry debtors	25,000		
Investments	40,000		
Insurance	3,500		
Machinery	22,000		
	11,78,700		11,78,700

The following additional information is available:

1. Stock on December 31, 2017 was ₹ 30,000.
2. Depreciation is to be charged on building at 5% and motor van at 10%.
3. Provision for doubtful debts is to be maintained at 5% on Sundry Debtors.
4. Unexpired insurance was ₹ 600.
5. The Manager is entitled to a commission @ 5% on net profit before charging such commission.

The solution is given below:

Trading Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	2,26,000	Sales	6,80,000
Purchases	4,40,000	Less: Sales Return	10,000
Less: Returns Outwards	15,000	Closing Stock	30,000
Freight Inwards	3,400		
Heat and Power	8,000		
Gross Profit	37,600		
	7,00,000		7,00,000

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Trade Expenses	3,300	Gross Profit	37,600
Salary and Wages	5,000	Interest Received	20,000
Legal Expenses	3,000		
Postage and Telegram	1,000		
Bad Debts	6,500		
Add: New Provision	1,250		
	7,750		
Depreciation on Building	5,000		
Depreciation on Motor Van	3,000		
Insurance	3,500		
Less: Unexpired Insurance	600		
	2,900		
Net Profit	26,650		
	57,600		57,600
Manager's Commission Payable	1,269	Balance b/d	26,650
Net Profit after Commission	25,381		
	26,650		26,650

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	3,50,000	Cash in Hand	79,000
Add: Net Profit	25,381	Cash at Bank	98,000
Less: Drawings	75,000	Buildings	1,00,000
	3,00,381	Less: Depreciation	5,000
Creditors	50,000		95,000
Bills Payable	63,700	Motor Van	30,000
Manager's Commission Payable	1,269	Less: Depreciation	3,000
			27,000
		Sundry Debtors	25,000
		Less: New Provision	1,250
			23,750
		Investments	40,000
		Machinery	22,000
		Unexpired Insurance	600
		Closing Stock	30,000
	4,15,350		4,15,350

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

Account Title	Amount ₹	Account Title	Amount ₹
Drawings	20,000	Sales	2,20,000
Land and Buildings	12,000	Capital	1,01,110
Plant and Machinery	40,000	Discount	1,260
Carriage inwards	100	Apprentice 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 ₹, 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 ₹ 100 and Wages prepaid was ₹ 40.
6. The manager is entitled a commission of 5% on net profit after charging such commission.

The solution is given below:

Trading Account

Dr.	Amount ₹	Cr.	Amount ₹
Opening Stock	76,800	Sales	2,20,000
Purchases	1,50,000	Less: Sales Return	200
Less: Purchases Return	10,000	Closing Stock	20,000
Carriage Inwards	100		
Wages	500		
Less: Prepaid	40		
Coal, Gas and Water	1,200		
Gross Profit	21,240		
	2,39,800		2,39,800

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Salary	2,000	Gross Profit	21,240
<i>Add:</i> Outstanding Salary	100	Discount	1,260
Bank Charges	200	Apprentice Premium	5,230
Trade Expenses	3,800		
Rates and Taxes	870		
Depreciation on Plant and Machinery	2,000		
Depreciation on Land and Building	1,200		
Provision for Doubtful Debts	2,715		
Discount on Debtors	1,548		
Net Profit	13,297		
	27,730		27,730
Manager's Commission	633	Balance b/d	13,297
Net Profit after Commission	12,664		
	13,297		13,297

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	1,01,110	Cash at Bank	50,000
<i>Add:</i> Net Profit	12,664	Land and Building	12,000
<i>Less:</i> Drawings	20,000	<i>Less:</i> Depreciation	1,200
	93,774	Plant and Machinery	40,000
Bills Payable	1,28,870	<i>Less:</i> Depreciation	2,000
Outstanding Salary	100	Bills Receivable	24,500
Outstanding Manager's Commission	633	Sundry Debtors	54,300
		<i>Less:</i> New Provision	2,715
		<i>Less:</i> Discount on Debtors	1,548
		Cash in Hand	30,000
		Closing Stock	20,000
		Prepaid Wages	40
	2,23,377		2,23,377

9. 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	Debit Amount ₹	Account Title	Credit Amount ₹
Sundry debtors	9,600	Sundry creditors	2,500
Opening stock	22,800	Sales	72,670
Purchases	34,800	Purchases returns	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 ₹ 10,000.

1. To provision for doubtful debts is to be maintained at 5 per cent on sundry debtors.

2. Wages amounting to ₹ 500 and salary amounting to ₹ 350 are outstanding.
3. Factory rent prepaid ₹ 100.
4. Depreciation charged on Plant and Machinery @ 5% and Building @ 10%.
5. Outstanding insurance ₹ 100.

The solution is given below:

Trading Account

Dr.	Amount	Cr.	Amount
Particulars	₹	Particulars	₹
Opening Stock	22,800	Sales	72,670
Purchases	34,800	Closing Stock	10,000
Less: Purchases Return	2,430		
	32,370		
Carriage Inwards	450		
Wages	1,770		
Add: Outstanding Wages	500		
	2,270		
Factory Rent	390		
Less: Prepaid Rent	100		
	290		
Gas and Water	240		
Octroi	60		
Cleaning Charges	940		
Gross Profit	23,250		
	82,670		82,670

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Office Rent	820	Gross Profit	23,250
Insurance	1,440		
<i>Add:</i> Outstanding Insurance	100		
	1,540		
Depreciation on Plant and Machinery	180		
Salary	1,590		
<i>Add:</i> Outstanding Salary	350		
	1,940		
Provision for Doubtful Debts	480		
Depreciation on Building	2,400		
Net Profit	15,890		
	23,250		23,250

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	42,000	Sundry Debtors	9,600
<i>Add:</i> Net Profit	15,890	<i>Less:</i> New Provision	480
	57,890		9,120
Sundry Creditors	2,500	Building	24,000
Bills Payable	15,600	<i>Less:</i> Depreciation	2,400
			21,600

Outstanding Salary	350	Plant and Machinery	3,600	
Outstanding Wages	500	Less: Depreciation	180	3,420
Outstanding Insurance	100	Cash in Hand		2,160
		Furniture		20,540
		Patents		10,000
		Closing Stock		10,000
		Prepaid Factory Rent		100
	76,940			76,940

10. 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 ₹	Account Title	Amount ₹
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	120,000		

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 buildings depreciated at 6%.
- (b) Interest on capital @ 4%.
- (c) Outstanding wages ₹ 50.
- (d) Closing stock ₹ 50,000.

The solution is given below:

Trading Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	45,000	Sales	2,00,000
Purchases	80,000	Closing Stock	50,000
Less: Return Outwards	4,000		
	76,000		

Wages	34,000				
Add: Wages Outstanding	50	34,050			
<hr/>					
Gas and Fuel		2,700			
Freight and Carriage		3,500			
Factory Lighting		5,000			
Gross Profit		83,750			
		2,50,000			2,50,000

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
To Legal Expenses	4,000	By Gross Profit	83,750
To Office Expenses	3,000		
To Depreciation on Machine	12,000		
To Depreciation on Building	3,600		
To Interest on Capital	8,400		
To Net Profit*	52,750		
	83,750		83,750

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	2,10,000	Bank Balance	11,000
<i>Add:</i> Interest on Capital	8,400	Debtors	70,300
<i>Add:</i> Net profit	52,750	Cash in Hand	1,200
	2,71,150	Building	60,000
Bills Payable	6,500	<i>Less:</i> Depreciation	3,600
Creditors	50,000		56,400
Outstanding Wages	50	Machinery	1,20,000
		<i>Less:</i> Depreciation	12,000
			1,08,000
		Bills Receivable	7,000
		Patent Right	18,800
		Office Furniture	5,000
		Closing Stock	50,000
	3,27,700		3,27,700

11. From the following balances extracted from the book 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 ₹	Amount ₹
Opening stock	10,000	
Purchases and Sales	40,000	80,000
Returns	200	600
Wages	6,000	
Dock and cleaning charges	4,000	
Lighting	500	
Misc. Income		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	
Donations and Charity	600	
Sales tax collected		1,000
Furniture	11,300	
	1,36,600	1,36,600

Closing stock was ₹ 2,000.

(a) Interest on drawings @ 7% and interest on capital @ 5%.

(b) Land and Machinery is depreciated at 5%.

(c) Interest on investment @ 6%.

(d) Unexpired rent ₹ 100.

(e) Charge 5% depreciation on furniture.

The solution is given below:

Trading Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	10,000	Sales	80,000
Purchases	40,000	Less: Sales Return	200
Less: Purchases Return	600	Closing Stock	2,000
Wages	6,000		
Dock and Cleaning Charges	4,000		
Gross Profit	22,400		
	81,800		81,800

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Lighting	500	Gross Profit	22,400
Donations and Charity	600	Miscellaneous Income	6,000
Interest on Capital	2,000	Rent	2,000
Depreciation on Furniture	565	<i>Less: Unearned Rent</i>	100
Depreciation on Land and Machinery	2,150	Interest on Drawings	140
Net Profit	24,985	Interest on Investment	360
	30,800		30,800

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	40,000	Debtors	6,000
<i>Add: Interest on Capital</i>	2,000	Cash	3,000
<i>Add: Net Profit</i>	24,985	Investment	6,000
<i>Less: Drawings</i>	2,000	<i>Add: Interest on Investment</i>	360
<i>Less: Interest on Drawings</i>	140	Patent	4,000
Creditors	7,000	Land and Machinery	43,000
Sales Tax Collected	1,000	<i>Less: Depreciation</i>	2,150
Unearned Rent	100	Furniture	11,300

		Less: Depreciation	565	10,735
		Closing Stock		2,000
	72,945			72,945

12. The following balances were extracted from the books of M/s Panchsheel Garments on March 31, 2017.

Account Title	Debit Amount ₹	Account Title	Credit Amount ₹
Opening stock	16,000	Sales	1,12,000
Purchases	67,600	Return outwards	3,200
Return Inwards	4,600	Discount	1,400
Carriage inwards	1,400	Bank overdraft	10,000
General expenses	2,400	Commission	1,800
Insurance	4,000	Creditors	16,000
Scooter expenses	200	Capital	50,000
Salary	8,800		
Cash in hand	4,000		
Scooter	8,000		
Furniture	5,200		
Buildings	65,000		

Debtors	6,000		
Wages	1,200		
	1,94,400		1,94,400

Prepare the trading and profit and loss account for the year ended March 31, 2017 and a balance sheet as on that date.

- (a) Unexpired insurance ₹ 1,000.
- (b) Salary due but not paid ₹ 1,800.
- (c) Wages outstanding ₹ 200.
- (d) Interest on capital 5%.
- (e) Scooter is depreciated @ 5%.
- (f) Furniture is depreciated ₹ @ 10%.

Trading Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	16,000	Sales	1,12,000
Purchases	67,600	Less: Return Inwards	4,600
Less: Return Outwards	3,200	Closing Stock	15,000
Carriage Inwards	1,400		
Wages	1,200		
Add: Outstanding Wages	200		
Gross Profit	39,200		
	1,22,400		1,22,400

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
General Expenses	2,400	Gross Profit	39,200
Insurance	4,000	Discount	1,400
Less: Unexpired Insurance	1,000	Commission	1,800
Scooter Expenses	200		
Salary	8,800		
Add: Outstanding Salary	1,800		
Interest on Capital	2,500		
Depreciation on Scooter	400		
Depreciation on Furniture	520		
Net Profit	22,780		
	42,400		42,400

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	50,000	Cash in Hand	4,000
Add: Interest on Capital	2,500	Scooter	8,000
Add: Net Profit	22,780	Less: Depreciation	400
Bank Overdraft	10,000	Furniture	5,200

Creditors	16,000	Less: Depreciation	520	4,680
Outstanding Salary	1,800	Buildings		65,000
Outstanding Wages	200	Debtors		6,000
		Unexpired Insurance		1,000
		Closing Stock		15,000
	1,03,280			1,03,280

13. 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 ₹	Credit Amount ₹
Drawings and Capital	19,530	67,500
Purchase 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 ₹ 20,000.

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

The solution is given below:

Trading Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	42,300	Sales	1,12,500
Purchases	45,000	Less: Sales Return	2,385
Less: Purchases Return	1,440	Closing Stock	20,000
Carriage	2,700		
Wages	11,215		
Add: Outstanding Wages	50		
Octroi	530		
Gross Profit	29,760		
	1,30,115		1,30,115

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
Capital	67,500	Plant and Machinery	27,000
Add: Interest on Capital	6,750	Less: Depreciation	1,350
Less: Net Loss	8,973	Furniture	6,750
Less: Drawings	19,530	Debtors	36,000
Less: Interest on Drawings	977	Less: New Provision	1,800
Bank Overdraft	24,660	Investment	41,400
Creditors	58,500	Closing Stock	20,000

Outstanding Wages	50		
Salary Outstanding	20		
	1,28,000		1,28,000

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

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

The partners of the firm agreed to records the following adjustments in the books of the Firm. Further bad debts ₹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.

The solution is given below:

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Bad Debts	500		
<i>Add:</i> Further Bad Debts	300		
<i>Add:</i> New Provision	3,020		

Less: Old Provision	2,000	1,820	

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
		Debtors	30,500
		Less: Further Bad Debts	300
		Less: New Provision	3,020
			27,180

Debtors Account

Dr.

Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2017			2017		
March 31	Balance b/d	30,500	March 31	Further Bad Debts	300
			March 31	Provision for Doubtful Debts	3,020
			March 31	Balance c/d	27,180
		30,500			30,500

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Bad Debts Account

Dr.

Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2017			2017		
March 31	Balance b/d (As per the Trial Balance)	500	March 31	Provision for Doubtful Debts	800
March 31	Sundry Debtors	300			
		800			800
		800			800

Provision for Doubtful Debts Account

Dr.

Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2017			2016		
March 31	Bad Debt	800	April 01	Balance b/d (Old Provision)	2,000
			April 01	Profit and Loss (Balancing figure)	1,820
March 31	Balance b/d (New Provision)	3,020			
		3,820			3,820

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15. Prepare the 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 ₹ 500 Provision on Debtors @ 3%.

The solution is given below:

Profit and Loss Account

Dr.

Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Bad Debts	2,000	Old Provision for Doubtful Debts	5,000
Add: Further Bad Debts	500		
Add: New Provision for Bad Debts	2,385		
	4,885		
Balancing figure	115		
	5,000		5,000

Balance Sheet

Liabilities	Amount ₹	Assets	Amount ₹
		Debtors	80,000
		Less: Further Bad Debts	500
		Less: New Provision on Debtors	2,385
			77,115
			77,115

Bad Debts Account

Dr.

Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2017 Dec.31	Balance b/d (as per the Trial Balance)	2,000	2017 Dec.31	Provision for Doubtful Debts	2,500
Dec.31	Sundry Debtors	500			
		2,500			2,500

Provision for Doubtful Debts Account

Dr.

Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2017			2017		
Dec.31	Bad Debts	2,500	Jan.01	Balance b/d (Old Provision)	5,000
Dec.31	Balance b/d (New Provision)	2,385			
Dec.31	Profit and Loss (Balancing Figure)	115*			
		5,000			5,000