

## Short Answers for NCERT Accountancy Solutions Class 11 Chapter 9

**1. What are the objectives of preparing financial statements?**

Financial statements are prepared with the following objectives:

1. Determine the financial position of a business.
2. Ascertain the financial performance of the business.
3. To measure the changes in the financial position of a business.
4. To compare the financial performance of business both intra and inter-firm wise.

**2. What is the purpose of preparing the trading and profit and loss accounts?**

The trading account is prepared for the following purposes:

1. To determine the gross profit or loss in a financial year or period.
2. Determine the ratio of gross profit to sales.
3. To determine the ratio of direct expense to sales.

The profit and loss account is prepared for the following purposes:

1. Determining net profit or loss incurred by the business.
2. To comply with statutory requirements such as the Company Act or Partnership Act.

**3. Explain the concept of the cost of goods sold.**

The costs incurred in the production of goods that are sold by the company is known as the Cost of Goods Sold or COGS

No goods left out: In this case, all goods are sold out. Hence, it can be calculated as follows:

Cost of goods sold = Purchases + Direct Expenses

Presence of a closing stock: There can be some stock that is yet to get sold at the end of the accounting period. At that time, it can be calculated as follows:

$$\text{Cost of goods sold} = \text{Purchases} + \text{Direct Expenses} - \text{Closing Stock}$$

Presence of an opening stock: Stock that is carried forward at the beginning of the accounting period from the previous accounting period is considered as opening stock and is calculated as follows:

$$\text{Cost of goods sold} = \text{Opening Stock} + \text{Purchases} + \text{Direct Expenses} - \text{Closing Stock}$$

#### **4. What is a balance sheet? What are its characteristics?**

A statement prepared to determine the assets and values of a business on a particular date is known as a balance sheet. Debits represent the assets, while credits signify the liabilities.

It has the following characteristics:

1. It reflects the financial position of a business.
2. It is dependent on other statements, such as trading and P & L account.
3. It is prepared at the end of an accounting period.
4. The balance of both sides should tally.

#### **5. Distinguish between capital and revenue expenditure and state whether the following statements are items of capital or revenue expenditure:**

(a) Expenditure incurred on repairs and whitewashing at the time of purchase of an old building in order to make it usable.

(b) Expenditure incurred to provide one more exit in a cinema hall in compliance with a government order.

(c) Registration fees paid at the time of purchase of a building

(d) Expenditure incurred in the maintenance of a tea garden which will produce tea after four years.

(e) Depreciation charged on a plant.

(f) The expenditure incurred in erecting a platform on which a machine will be fixed.

(g) Advertising expenditure, the benefits of which will last for four years.

Basis of Difference	Capital Expenditure	Revenue Expenditure
Meaning	Expenditure beared for acquiring or improving an asset.	Expenses beared for running daily business activities
Term	Long-term can span many accounting periods	Short-term limited to an accounting period
Benefits	Benefits can be achieved across many accounting periods	Benefits can be availed only in the current year
Nature	Non-recurring	Recurring
Shown in	It is shown in the income statement and balance sheet	It is shown in the income statement

(a) Capital expenditure

(b) Revenue expenditure

(c) Capital expenditure

(d) Capital expenditure

(e) Revenue expenditure

(f) Capital expenditure

(g) Deferred revenue expenditure

## 6. What is an operating profit?

Operating profit, referred to as EBIT, is an accounting metric that measures the profits a company generates from its core business functions. It does not take into account interest deduction and the exclusion of tax from the calculation.

The following equation is used to calculate the operating profit:

Operating Profit = Net Profit + Non-operating Expenses – Non-operating Incomes

## Long Answers for NCERT Accountancy Solutions Class 11 Chapter 9

### 1. What are financial statements? What information do they provide?

Statements that contain financial information about a business which can satisfy the information requirements of internal and external users are known as financial statements. It serves as a source of financial information that caters to the diverse information requirement of users. It is prepared with the purpose of representing a true and fair view of the business.

To do so, it requires the creation of three statements, namely, trading and profit and loss account and balance sheet.

The financial statements are related to gross/net profit or loss, assets and liabilities. The users of information can be the following:

**Current owners:** These internal users would like to know the profits in the previous accounting period and the current position of the assets and liabilities.

**Government:** Government is an external user and wants to know the financial position of a business so that stakeholders' rights are protected.

**Prospective owner:** These external users would like to know the past profits and financial position and also the future performance of the business to make an informed decision about whether to invest in the business or not.

### 2. What are closing entries? Give four examples of closing entries.

A journal entry that is made at the end of an accounting period that transfers balances from the temporary accounts to a permanent account is known as closing entries. Some examples are as follows:

1. The purchase returns are closed by transferring the balance to the purchase account, and the following entries are made:

Purchases return A/c

Dr

To Purchases A/c

2. Sales return account is closed by transfer of the balance to the sales account, and entries will be as follows:

Sales A/c

Dr

To Sales return A/c

3. Purchases account closed by transferring to the debit side of trading and P & L Account, and entries will be as follows:

Trading A/c

Dr

To Purchases A/c

4. Sales account closed by transferring the balance to the credit side of trading and P & L account, and entries will be as follows:

Sales A/c

Dr.

To Trading A/c

- 3. Discuss the need to prepare a balance sheet.**

A balance sheet needs to be prepared due to following reasons:

1. To show the financial position of a business.
2. To show much assets and liabilities a business has.
3. It serves as an information source for internal and external users.
4. It acts as a reference for balances that need to be carried forward.
5. To gather an idea about the liquidity of the firm or business.
6. Helps management in planning and controlling business operations.

**4. What is meant by grouping and marshalling of assets and liabilities? Explain the ways in which a balance sheet may be marshalled.**

Grouping refers to including assets and liabilities of similar nature under a common heading. For example, different types of creditors can be placed in one heading. Similarly, work in progress, raw material and finished goods can be placed.

Marshalling refers to the arranging of assets and liabilities in order of liquidity and permanence.

In order of liquidity: It shows how easily an asset can be converted into cash or a liability can be paid off. The asset examples are arranged as follows:

1. Cash
2. Bank
3. Debtors

In order of permanence: In this system, the most important asset or liability gets the top position in the balance sheet, and the remaining assets are arranged in the reducing level of permanence. For example,

1. Debtors
2. Bank
3. Cash

Similarly, liabilities in order of permanence are as follows:

1. Capital
2. Long-term loan
3. Creditors

Numerical Answers for NCERT Accountancy Solutions Class 11 Chapter 9

**1. Calculate the gross profit from the following balances taken from the books of Simmi and Vimmi Ltd. for the year ending March 31, 2017.**

₹

**Closing stock 2,50,000**

**Net sales during the year 40,00,000**

**Net purchases during the year 15,00,000**

**Opening stock 15,00,000**

**Direct expenses 80,000**

The gross profit can be calculated as given below:

Trading Account as on March 31, 2017			
Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	15,00,000	Net Sales	40,00,000
Net Purchases	15,00,000	Closing Stock	2,50,000
Direct Expenses	80,000		

Gross Profit	11,70,000		
	42,50,000		42,50,000

Therefore, the Gross Profit is ₹ 11,70,000.

**2. From the following balances extracted from the books of M/s Ahuja and Nanda, calculate the amount of:**

**(a) Cost of goods available for sale**

**(b) Cost of goods sold during the year**

**(c) Gross Profit**

**₹**

**Opening stock 25,000**

**Credit purchases 7,50,000**

**Cash purchases 3,00,000**

**Credit sales 12,00,000**

**Cash sales 4,00,000**

**Wages 1,00,000**

**Salaries 1,40,000**

**Closing stock 30,000**

**Sales return 50,000**

**Purchases return 10,000**

**a) Cost of Goods Sold Available for Sales**

**Or**



**Cost of Goods Manufactured** = Opening Stock + Net Purchases + Wages

$$= 25,000 + 10,40,000 + 1,00,000$$

$$= ₹ 11,65,000$$

**(b) Cost of Goods Sold** = Opening Stock + Net Purchases + Wages – Closing Stock

$$= 25,000 + 10,40,000 + 1,00,000 - 30,000$$

$$= ₹ 11,35,000$$

Or

**Cost of Goods Sold** = Net Sales – Gross Profit

$$= 15,50,000 - 4,15,000$$

$$= ₹ 11,35,000$$

**(c) Gross Profit**

Trading Account						
Dr.			Cr.			
Particulars		Amount	Particulars		Amount	
		₹			₹	
Opening Stock		25,000	Sales			
Purchases			Add: Credit Sales	12,00,000		
Add: Credit Purchases	7,50,000		Add: Cash Sales	4,00,000		
Add: Cash Purchases	3,00,000			16,00,000		

		10,50,000			Less: Sales Return	(50,000)	15,50,000
	Less: Purchases Return	(10,000)	10,40,000				
	Wages		1,00,000		Closing Stock		30,000
	Gross Profit		4,15,000				
			15,80,000				15,80,000

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

₹

**Opening stock 50,000**

**Net sales 11,00,000**

**Net purchases 6,00,000**

**Direct expenses 60,000**

**Administration expenses 45,000**

**Selling and distribution expenses 65,000**

**Loss due to fire 20,000**

**Closing stock 70,000**

The solution is as follows:

**Trading Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	50,000	Net Sales	11,00,000
Net Purchases	6,00,000	Closing Stock	70,000
Direct Expenses	60,000		
Gross Profit	4,60,000		
	11,70,000		11,70,000
<b>Operating Profit</b>	=	Sales – (Opening Stock + Net Purchases + Direct Expenses + Administration Expenses + Selling and Distribution Expenses) + Closing Stock	
	=	11,00,000 – (50,000 + 6,00,000 + 60,000 + 45,000 + 65,000) + 70,000	
	=	₹ 3,50,000	

**4. Operating profit earned by M/s Arora and Sachdeva in 2016-17 was ₹ 17, 00,000. Its non-operating incomes were ₹ 1, 50,000 and non-operating expenses were ₹ 3, 75,000. Calculate the amount of net profit earned by the firm.**

Net Profit = Operating Profit + Non-operating Income – Non-operating Expenses

= 17, 00,000 + 1, 50,000 – 3, 75,000

= ₹ 14, 75,000

Therefore, the net profit earned by M/S Arora and Sachdeva in 2016–17 is ₹ 14, 75,000.

**5. The following are the extracts from the trial balance of M/s Bhola and Sons as on March 31, 2017.**

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

(Only relevant items)

The closing Stock as on date was valued at ₹ 3,00,000.

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

Books of M/s Bhola and Sons						
Journal						
Date		Particulars		L.F.	Debit Amount ₹	Credit Amount ₹
2017						
Mar. 31		Trading A/c	Dr.		10,10,000	
		To Opening Stock A/c				2,00,000
		To Purchases A/c				8,10,000
		(Balances from Purchases Account and Stock Account transferred to Trading Account)				

Mar. 31	Sales A/c	Dr.		10,10,000	
	Closing Stock A/c			3,00,000	
	To Trading A/c				13,10,000
	(Balance from sales and closing stock transferred to Trading Account)				
Mar.31	Trading A/c	Dr.		3,00,000	
	To Profit and Loss (Gross Profit) A/c				3,00,000
	(Balance of Trading Account (gross profit) transferred to Profit and Loss Account)				

**Trading Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	2,00,000	Sales	10,10,000
Purchases	8,10,000	Closing Stock	3,00,000
Profit and Loss A/c – Gross Profit	3,00,000		
	13,10,000		13,10,000

**Balance Sheet as on March 31, 2017**

Liabilities	Amount ₹	Assets	Amount ₹
		Closing Stock	3,00,000

6. Prepare trading and profit and loss account and balance sheet as on March 31, 2017:

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

The closing stock, as on March 31, 2017, is ₹ 22,400

The trading and profit and loss account and balance sheet are prepared as follows:

Trading Account as on March 31, 2017			
Dr.			Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	6,000	Sales	73,500
Purchases	58,500	Closing Stock	22,400
Wages	15,000		
Carriage Inwards	450		
Profit and Loss (Gross Profit)	15,950		
	95,900		95,900

**Profit and Loss Account as on March 31, 2017**

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Sundry Expenses	600	Trading (Gross Profit)	15,950
Rent and Taxes	1,350		
Net Profit	14,000		
	15,950		15,950

**Balance Sheet as on March 31, 2017**

Liabilities	Amount ₹	Assets	Amount ₹
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Capital	60,000		<b>Fixed Assets</b>	
Add: Net Profit	14,000		Machinery	27,000
	74,000			
Less: Drawings	2,700	71,300	<b>Current Assets</b>	
			Bank	4,500
Sundry Creditors		1,400	Closing Stock	22,400
Bills Payable		2,800	Sundry Debtors	21,600
		75,500		75,500

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

Account Title	Amount ₹	Account Title	Amount ₹
Debtors	12,000	Apprenticeship premium	5,000
Purchases	50,000	Loan	10,000
Coal, gas and water	6,000	Bank overdraft	1,000
Factory wages	11,000	Sales	80,000
Salaries	9,000	Creditors	13,000
Rent	4,000	Capital	20,000
Discount	3,000		
Advertisement	500		
Drawings	1,000		



Loan	6,000		
Petty cash	500		
Sales return	1,000		
Machinery	5,000		
Land and building	10,000		
Income tax	100		
Furniture	9,900		

The trading and profit and loss account and balance sheet are prepared as follows:

Trading Account as on March 31, 2017						
Dr.				Cr.		
Particulars		Amount	Particulars		Amount	
		₹			₹	
Purchases		50,000	Sales	80,000		
Coal, Gas and Water		6,000	Less: Sales Return	1,000	79,000	
Factory Wages		11,000				
Profit and Loss (Gross Profit)		12,000				
		79,000			79,000	
Profit and Loss Account as on March 31, 2017						
Dr.				Cr.		
Particulars	Amount	Particulars	Amount			

	₹		₹
Salaries	9,000	Trading (Gross Profit)	12,000
Rent	4,000	Apprenticeship Premium	5,000
Discount	3,000		
Advertisement	500		
Net Profit	500		
	17,000		17,000

**Balance Sheet as on March 31, 2017**

Liabilities	Amount ₹	Assets	Amount ₹
Capital	20,000	Machinery	5,000
Add: Profit and Loss (Net Profit)	500	Land and Building	10,000
	20,500	Furniture	9,900
Less: Drawings	(1,000)	Loan (Given)	6,000
Less: Income Tax	(100)	Debtors	12,000
		Petty Cash	500
Loan (Taken)	10,000		
Creditors	13,000		
Bank Overdraft	1,000		
	43,400		43,400

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

Account Title	Debit Amount ₹	Credit Amount ₹
Opening stock	10,000	
Purchases and sales	40,000	80,000
Returns	200	600
Productive wages	6,000	
Dock and Clearing charges	4,000	
Donation and charity	600	
Delivery van expenses	6,000	
Lighting	500	
Sales tax collected		1,000
Bad debts	600	
Misc. incomes		6,000
Rent from tenants		2,000

Royalty	4,000		
Capital			40,000
Drawings	2,000		
Debtors and Creditors	6,000		7,000
Cash	3,000		
Investment	6,000		
Patents	4,000		
Land and Machinery	43,000		

The closing stock is ₹ 2,000.

The trading and profit and loss account and balance sheet are prepared as follows:

Trading Account as on March 31, 2017						
Dr.			Cr.			
Particulars	Amount		Particulars	Amount		
	₹			₹		
Opening Stock	10,000		Sales	80,000		
Purchases	40,000		Less: Sales Returns	(200)	79,800	
Less: Purchases Returns	(600)	39,400				

Productive Wages	6,000	Closing Stock	2,000
Dock and Clearing Charges	4,000		
Royalty	4,000		
Profit and Loss (Gross Profit)	18,400		
	81,800		81,800

**Profit and Loss Account as on March 31, 2017**

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Donation and Charity	600	Trading (Gross Profit)	18,400
Delivery Van Expenses	6,000	Misc. Incomes	6,000
Lighting	500	Rent from Tenants	2,000
Bad Debts	600		
Net Profit	18,700		
	26,400		26,400

**Balance Sheet as on March 31, 2017**

Liabilities	Amount ₹	Assets	Amount ₹

Capital	40,000		Patents		4,000
Add: Profit and Loss (Net Profit)	18,700		Land and Machinery		43,000
	58,700		Investment		6,000
Less: Drawings	(2,000)	56,700	Debtors		6,700
			Cash		3,000
Sales Tax Collected		1,000	Closing Stock		2,000
Creditors		7,000			
		64,700			64,700

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

Account Title	Debit Amount ₹	Account Title	Credit Amount ₹
Drawings	36,000	Capital	2,50,000
Insurance	3,000	Bills payable	3,600
General expenses	29,000	Creditors	50,000
Rent and taxes	14,400	Discount received	10,400
Lighting (factory)	2,800	Purchases return	8,000
Travelling expenses	7,400	Sales	4,40,000

Cash in hand	12,600		
Bills receivable	5,000		
Sundry debtors	1,04,000		
Furniture	16,000		
Plant and machinery	1,80,000		
Opening stock	40,000		
Purchases	1,60,000		
Sales return	6,000		
Carriage inwards	7,200		
Carriage outwards	1,600		
Wages	84,000		
Salaries	53,000		

**The closing stock is ₹ 35,000.**

The trading account, profit and loss account and balance sheet are prepared below:

Trading Account as on March 31, 2017				
Dr.				Cr.

Particulars		Amount ₹	Particulars	Amount ₹
Opening Stock		40,000	Sales	4,40,000
Purchases	1,60,000		Less: Sales Return	6,000
Less: Purchases Return	(8,000)	1,52,000	Closing Stock	35,000
Lighting (Factory)		2,800		
Carriage Inwards		7,200		
Wages		84,000		
Profit and Loss (Gross Profit)		1,83,000		
		4,69,000		4,69,000

**Profit and Loss Account as on March 31, 2017**

Dr.			Cr.		
Particulars		Amount ₹	Particulars		Amount ₹
Insurance		3,000	Trading (Gross Profit)		1,83,000
General Expenses		29,000	Discount Received		10,400
Rent and Taxes		14,400			
Travelling Expenses		7,400			
Carriage Outwards		1,600			



Salaries		53,000				
Net Profit		85,000				
		1,93,400				1,93,400

**Balance Sheet as on March 31, 2017**

Liabilities		Amount ₹	Assets	Amount ₹
Capital	2,50,000		Plant and Machinery	1,80,000
Add: Net Profit	85,000		Furniture	16,000
3,35,000			Sundry Debtors	1,04,000
Less: Drawings	(36,000)	2,99,000	Closing Stock	35,000
			Bills Receivable	5,000
Creditors		50,000	Cash in Hand	12,600
Bills Payable		3,600		
		3,52,600		3,52,600

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

Account Title	Debit Amount ₹	Credit Amount ₹
Purchases and sales	3,52,000	5,60,000
Return inwards and return outwards	9,600	12,000

Carriage inwards	7,000	
Carriage outwards	3,360	
Fuel and power	24,800	
Opening stock	57,600	
Bad debts	9,950	
Debtors and creditors	1,31,200	48,000
Capital		3,48,000
Investment	32,000	
Interest on investment		3,200
Loan		16,000
Repairs	2,400	
General expenses	17,000	
Wages and salaries	28,800	
Land and buildings	2,88,000	
Cash in hand	32,000	

Miscellaneous receipts		160
Sales tax collected		8,350

The closing stock is ₹ 30,000.

The trading and profit and loss account and balance sheet for the question are posted below:

Trading Account as on March 31, 2017							
Dr.							Cr.
Particulars		Amount ₹	Particulars				Amount ₹
Opening Stock		57,600	Sales	5,60,000			
Purchases	3,52,000		Less: Return Inwards	(9,600)			5,50,400
Less: Return Outwards	(12,000)	3,40,000	Closing Stock				30,000
Carriage Inwards		7,000					
Fuel and Power		24,800					
Wages and Salaries		28,800					
Profit and Loss (Gross Profit)		1,22,200					
		5,80,400					5,80,400
Profit and Loss Account as on March 31, 2017							

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Carriage Outwards	3,360	Trading (Gross Profit)	1,22,200
Bad Debts	9,950	Interest on Investment	3,200
Repairs	2,400	Miscellaneous Receipts	160
General Expenses	17,000		
Net Profit	92,850		
	1,25,560		1,25,560

**Balance Sheet as on March 31, 2017**

Liabilities		Amount ₹	Assets	Amount ₹
Capital	3,48,000		Land and Building	2,88,000
Add: Net Profit	92,850	4,40,850	Investment	32,000
			Debtors	1,31,200
Loan		16,000	Closing Stock	30,000
Creditors		48,000	Cash in Hand	32,000
Sales Tax Collected		8,350		
		5,13,200		5,13,200

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

Account Title	Debit Amount ₹	Credit Amount ₹
Stock as on April 01, 2016	16,000	
Purchases and Sales	67,600	1,12,000
Returns inwards and outwards	4,600	3,200
Carriage inwards	1,400	
General expenses	2,400	
Bad debts	600	
Discount received		1,400
Bank overdraft		10,000
Interest on bank overdraft	600	
Commission received		1,800
Insurance and taxes	4,000	
Scooter expenses	200	
Salaries	8,800	
Cash in hand	4,000	

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

The closing stock is ₹ 15,000.

The trading and profit and loss account and balance sheet for the question are posted below:

Trading Account as on March 31, 2017						
Dr.						Cr.
Particulars		Amount ₹	Particulars		Amount ₹	
Opening Stock		16,000	Sales	1,12,000		
Purchases	67,600		Less: Sales Return Inwards	(4,600)	1,07,400	
Less: Return Outwards	(3,200)	64,400	Closing Stock		15,000	
Carriage Inwards		1,400				
Profit and Loss (Gross Profit)		40,600				
		1,22,400				1,22,400

Profit and Loss Account as on March 31, 2017			
Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
General Expenses	2,400	Trading (Gross Profit)	40,600
Bad Debts	600	Discount Received	1,400
Interest on Bank Overdraft	600	Commission Received	1,800
Insurance and Taxes	4,000		
Scooter Expenses	200		
Salaries	8,800		
Net Profit	27,200		
	43,800		43,800

Balance Sheet as on March 31, 2017			
Liabilities	Amount ₹	Assets	Amount ₹
Capital	50,000	Building	65,000
Add: Net Profit	27,200	Furniture	5,200
		Scooter	8,000
Creditors	16,000	Debtors	6,000
Bank Overdraft	10,000	Closing Stock	15,000
		Cash in Hand	4,000

		1,03,200			1,03,200

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

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



Furniture	35,000		
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The closing stock is ₹ 8,000.

The trading and profit and loss account and balance sheet are prepared below:

**Trading Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	20,000	Sales	2,45,000
Purchases	1,90,000	Closing Stock	8,000
Carriage on Purchases	1,500	Profit and Loss (Gross Loss)	13,500
Wages	55,000		
	2,66,500		2,66,500

**Profit and Loss Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Trading (Gross Loss)	13,500		
Postage	300		
Sundry Expenses	1,700		

Rent	4,500	Net Loss	20,000
	20,000		20,000
<b>Balance Sheet of M/s Royal Traders as on March 31, 2017</b>			
<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
	<b>₹</b>		<b>₹</b>
Capital	2,00,000	Machinery	1,00,000
Less: Net Loss	(20,000)	Furniture	35,000
Less: Drawings	(9,000)	Debtors	27,000
		Closing Stock	8,000
Creditors	10,000	Bank	10,000
Bills Payable	4,000	Cash	5,000
	1,85,000		1,85,000

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

<b>Account Title</b>	<b>Debit Amount</b>	<b>Account Title</b>	<b>Credit Amount</b>
	<b>₹</b>		<b>₹</b>
<b>Buildings</b>	<b>23,000</b>	<b>Sales</b>	<b>1,80,000</b>
<b>Plant</b>	<b>16,930</b>	<b>Loan</b>	<b>8,000</b>
<b>Carriage inwards</b>	<b>1,000</b>	<b>Bills payable</b>	<b>2,520</b>

Wages	3,300	Bank overdraft	4,720
Purchases	1,64,000	Creditors	8,000
Sales return	1,820	Capital	2,36,000
Opening stock	9,000	Purchases return	1,910
Machinery	2,10,940		
Insurance	1,610		
Interest	1,100		
Bad debts	250		
Postage	300		
Discount	1,000		
Salaries	3,000		
Debtors	3,900		

The stock on March 31, 2017, is ₹ 16,000.

The trading and profit and loss account and balance sheet are prepared below:

Trading Account as on March 31, 2017

Dr.						Cr.
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Liabilities		Amount ₹	Assets		Amount ₹
Opening Stock		9,000	Sales	1,80,000	
Purchases	1,64,000		Less: Sales Return	(1,820)	1,78,180
Less: Purchases Return	(1,910)	1,62,090	Closing Stock		16,000
Carriage Inwards		1,000			
Wages		3,300			
Profit and Loss (Gross Profit)		18,790			
		1,94,180			1,94,180

**Profit and Loss Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Insurance	1,610	Trading (Gross Profit)	18,790
Interest	1,100		
Bad Debts	250		
Postage	300		
Discount	1,000		
Salaries	3,000		

Net Profit	11,530			
	18,790			18,790
<b>Balance Sheet as on March 31, 2017</b>				
<b>Liabilities</b>		<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
		₹		₹
Capital	2,36,000		Building	23,000
Add: Net Profit	11,530	2,47,530	Plant	16,930
			Machinery	2,10,940
Loan		8,000	Debtors	3,900
Creditors		8,000	Closing Stock	16,000
Bills Payable		2,520		
Bank Overdraft		4,720		
		2,70,770		2,70,770

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

Account Title	Debit Amount ₹	Account Title	Credit Amount ₹
Opening stock	10,000	Sales	2,28,000
Purchases	78,000	Capital	70,000

Carriage inwards	2,500	Interest	7,000
Salaries	30,000	Commission	8,000
Commission	10,000	Creditors	28,000
Wages	11,000	Bills payable	2,370
Rent and taxes	2,800		
Repairs	5,000		
Telephone expenses	1,400		
Legal charges	1,500		
Sundry expenses	2,500		
cash in hand	12,000		
Debtors	30,000		
Machinery	60,000		
Investments	90,000		
Drawings	18,000		

The closing stock, as on March 31, 2017, is ₹ 22,000.

**Trading Account of M/s Nilu Sarees as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	10,000	Sales	2,28,000
Purchases	78,000	Closing Stock	22,000
Carriage Inwards	2,500		
Wages	11,000		
Profit and Loss (Gross Profit)	1,48,500		
	2,50,000		2,50,000

**Profit and Loss Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Salaries	30,000	Trading (Gross Profit)	1,48,500
Commission	10,000	Interest	7,000
Rent and Taxes	2,800	Commission	8,000
Repairs	5,000		
Telephone Expenses	1,400		
Legal Charges	1,500		

Sundry Expenses	2,500		
Net Profit	1,10,300		
	1,63,500		1,63,500

**Balance Sheet as on March 31, 2017**

Liabilities		Amount ₹	Assets	Amount ₹
Capital	70,000		Machinery	60,000
Add: Net Profit	1,10,300		Investments	90,000
	1,80,300		Debtors	30,000
Less: Drawings	(18,000)	1,62,300	Closing Stock	22,000
			Cash in Hand	12,000
Creditors		28,000		
Bills Payable		2,370		
Suspense		21,330		
		2,14,000		2,14,000

**15. Prepare the trading and profit and loss accounts of M/s Sports Equipments for the year ended March 31, 2017, and the balance sheet as on the same date.**

Account Title	Debit Amount ₹	Credit Amount ₹



Opening stock	50,000	
Purchases and sales	3,50,000	4,21,000
Sales returns	5,000	
Capital		3,00,000
Commission		4,000
Creditors		1,00,000
Bank overdraft		28,000
Cash in hand	32,000	
Furniture	1,28,000	
Debtors	1,40,000	
Plants	60,000	
Carriage on purchases	12,000	
Wages	8,000	
Rent	15,000	
Bad debts	7,000	

Drawings	24,000	
Stationery	6,000	
Travelling expenses	2,000	
Insurance	7,000	
Discount	5,000	
Office expenses	2,000	

The closing stock as on March 31, 2017, is ₹ 2,500.

The trading and profit and loss account and balance sheet are prepared below:

Trading Account as on March 31, 2017						
Dr.			Cr.			
Particulars		Amount ₹	Particulars		Amount ₹	
Opening Stock		50,000	Sales	4,21,000		
Purchases		3,50,000	Less: Sales Return	5,000	4,16,000	
Carriage on Purchases		12,000	Closing Stock		2,500	
Wages		8,000	Profit and Loss (Gross Loss)		1,500	
		4,20,000			4,20,000	

**Profit and Loss Account as on March 31, 2017**

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Trading (Gross Loss)	1,500	Commission	4,000
Rent	15,000	Net Loss	41,500
Bad Debts	7,000		
Stationery	6,000		
Travelling Expenses	2,000		
Insurance	7,000		
Discount	5,000		
Office Expenses	2,000		
	45,500		45,500

**Balance Sheet as on March 31, 2017**

Liabilities		Amount ₹	Assets		Amount ₹
Capital	3,00,000		Plants		60,000
Less: Net Loss	(41,500)		Furniture		1,28,000
Less: Drawings	(24,000)	2,34,500	Debtors		1,40,000
			Closing Stock		2,500
Creditors		1,00,000	Cash in Hand		32,000

Bank Overdraft		28,000			
		3,62,500			3,62,500

