

**Class 11**  
**Accountancy**  
**Set 1 with Solutions**

**Time : 3 Hr.**

**Max. Marks : 80**

General Instructions:

This question paper contains two parts, A and B.

All questions in both the parts are compulsory.

All parts of the questions should be attempted at one place.

Part-A (56 Marks)

Financial Accounting-I

Question 1.

Which of the following is not a subsidiary book?

- (A) Sales Book
- (B) Purchases Book
- (C) Pass Book
- (D) Bills Receivable Book [1]

Answer:

(C) Pass Book

Explanation: Subsidiary books of accounting refers to the journals meant for specific transactions of similar nature. These are just sub-division of Journal. Pass book is not a subsidiary book while it is only a copy of customer's bank Account.

Question 2.

The benefit of which expenditure is not exhausted within a year it is incurred and is extended to future years? [1]

Answer:

Deferred revenue expenditure.

Explanation: Heavy revenue expenditure which give benefit for more than one year are called deferred revenue expenditure.

Question 3.

Meeta and Vaishali are two partners of a firm. Firm receives an order for goods. Vaishali wants to include it in the sales figure but Meeta opposes it. How should the issue be settled? [1]

Answer:

Amount of goods should not be included in sales as the goods have not yet been delivered to the customer.

Explanation: As per the accrual basis, the transaction is first recorded only when Economic consideration is involved.

Question 4.

Amongst the following, whose objective is to ensure uniformity in the preparation and presentation of financial statements: [1]

- (A) Cost Accounting
- (B) CS
- (C) AS
- (D) None of the above

Answer:

(C) AS

Question 5.

The journal entry to record the sale of services on credit should include : [1]

- (A) Debit to debtors and Credit to capital.
- (B) Debit to cash and Credit to debtors.
- (C) Debit to fees income and Credit to debtors.
- (D) Debit to debtors and Credit to fees income.

Answer:

(D) Debit to debtors and Credit to fees income.

Question 6.

The periodic total of sales returns journal is posted to : [1]

- (A) Sales account
- (B) Goods account
- (C) Purchases returns account
- (D) Sales returns account

Answer:

(D) Sales returns account

Question 7.

State whether the statement is 'True' or 'False':

One debit account and more than one credit account in an entry is called compound entry. [1]

Answer:

True

Question 8.

Pass book is a copy of:

- (A) Customer Account according to bank's records
- (B) Bank column of cash book
- (C) Cash column of cash book
- (D) Receipts and payments [1]

Answer:

(A) Customer Account according to bank's records

Explanation: Pass book is issued by the bank to its customers. It is a copy of the \$ account of the holder.

Question 9.

When a banker collects the bills and credits the account, pass book overdraft shows ..... balance. [1]

Answer:

Less

Question 10.

Which of the following is a type of reserve according to the nature of profit, out of which it is created?

- (A) Revenue Reserve
- (B) Capital Reserve
- (C) Both (A) and (B)
- (D) None of the above

Answer:

(C) Both (A) and (B)

Question 11.

It is necessary to create ..... even if there is no or inadequate profit or loss. [1]

Answer:

Provision

Question 12.

..... refers to writing off the proportionate value of the intangible assets such as goodwill, copyright, etc. [1]

Answer:

Amortisation

Question 13.

Which of the following is not true regarding ledger?

- (A) It is a principal Book of Entry
- (B) It is helpful in preparing trial Balance
- (C) It shows the net profit or loss earned by the firm
- (D) None of These [1]

Answer:

- (C) It shows the net profit or loss earned by the firm

Explanation: Ledger is a principal book of entry in which classified and summarised business transactions. It is helpful in preparing trial balance. But to show the net profit or net loss earned by the firm is disclosed by the income statement.

Read the hypothetical text given below and answer the Questions 14 to 17.

Ravindra Tyagi is a businessman of Agra, He had the following transactions in the month of February 2020:

- Feb. 02 Sold Goods to Ravi of list price ₹ 25,000 @ 10% trade discount.
- Feb. 05 Paid salary to shyam of ₹ 10,000 by cheque
- Feb. 10 Lal who had to pay ₹ 10,000 paid ₹ 9,500 in full settlement
- Feb. 15 Anupam was appointed as manager @ 20,000 per month salary
- Feb. 20 Rajat sold a machine to us of ₹ 50,000

Question 14.

How will trade discount be shown in the book of Accounts?

- (A) ₹ 2,500 of trade discount will be debited.
- (B) ₹ 2,000 of trade discount will be credited.
- (C) ₹ 2,500 of trade discount will be credited.
- (D) Will not be shown in the books at all. [1]

Answer:

- (D) Will not be shown in the books at all.

Explanation: Trade discount (which is given to increase the sales) not shown in the book of accounts at all.

Question 15.

Which account will be debited for transaction on 5th Feb?

- (A) Salary A/c
- (B) Shyam's A/c
- (C) Cash A/c
- (D) Bank A/c [1]

Answer:

- (A) Salary A/c

Explanation: Following entry will be passed:

Salary A/c on	10,000	-
To Bank A/c	-	10,000

[Being salary paid]

Question 16.

Which account will be credited for the transaction on 15th Feb?

- (A) Anupam's A/c
- (B) Manager's Commission
- (C) Bank A/c
- (D) None of These [1]

Answer:

- (D) None of These

Explanation: As per the accrual basis, transaction is recorded in the books only when economic consideration is satisfied. It is not satisfied in the transaction, hence will not be shown in the books.

Question 17.

Which account will be credited for transaction on 20th Feb?

- (A) Purchase A/c
- (B) Machinery A/c
- (C) Rajat's A/c
- (D) None of These [1]

Answer:

- (C) Rajat's A/c

Explanation: Following entry will be passed:

Machinery A/c	Dr.	50,000	-
To Rajat's A/c		-	50,000

[Being machinery purchased on credit]

Read the hypothetical text given below and answer the Questions 18 to 21.

Rachna and company appointed a new accountant. He prepared the trial balance for the company. But the following mistakes were observed in this trial balance:

- (a) Creditors were shown in debit side.
- (b) Wages and commission received both were shown in debit side.
- (c) Bills Receivable was shown on the credit side.
- (d) Closing stock was shown on the credit side.
- (e) A repair of machinery of ₹ 2,000 was shown in debit side by way of adding to value of machinery.

Question 18.

What is the nature of the account a stated in mistake (a)?

- (A) Real Account
- (B) Personal A/c
- (C) Nominal Account
- (D) None of These [1]

Answer:

- (B) Personal A/c

Explanation: Creditors are those to whom the firm has to pay, this account shows the persons to whom the firm will pay. So it is a real A/c.

Question 19.

What was the mistake in point (b) ?

- (A) Wages should be shown in credit side.
- (B) Commission received should be shown in credit side.
- (C) Both wages and commission received should be shown in credit side.
- (D) None of These [1]

Answer:

- (B) Commission received should be shown in credit side.

Explanation: Commission received is an income for the firm and incomes have the credit balance. Hence it should be shown in credit side.

Question 20.

What is the correct treatment of closing stock?

- (A) It is never shown in trial balance
- (B) Should be shown in debit side
- (C) Should remain in credit side
- (D) None of These [1]

Answer:

- (B) Should be shown in debit side

Explanation: It is an asset for the firm so has debit balance. Hence should be shown in debit side.

Question 21.

What is the correct treatment of mistake (e)?

- (A) ₹ 2,000 should be shown in debit side by the name of repairs A/c
- (B) It is not a mistake
- (C) Should be subtracted from machinery and shown in credit side
- (D) None of These [1]

Answer:

- (A) ₹ 2,000 should be shown in debit side by the name of repairs A/c

Explanation: Repair of machinery is a revenue expenditure, so should be shown separately in debit side by the name of repairs A/c.

Question 22.

Explain the following terms with example:

Sales

Cost [3]

OR

Explain the usefulness or importance of IFRS. [3]

Answer:

(i) Sales: Sales means transfer of ownership of goods or services to customers for a price. Sales may either be cash sales or credit sales. For example, if Varun sells a television set to Tarun, the ownership of television set will be transferred to Tarun from Varun. If Varun receives the payment immediately it would be cash sale and if Varun has to receive the payment after sometime it would be credit sale.

(ii) Cost: Cost means the amount of expenditure, actual or notional, attributable to or incurred on a given activity, product or service. For example, Mohit purchases a machine for his factory. The cost of machinery will include not only the purchase price but also freight, installation expenses, etc.

OR

Following points highlight the importance or usefulness of IFRS:

(i) Growth in International Business: IFRS will facilitate enormous expansion in world trade and international investment. IFRS will make accounting reports as a universal means of communication among businessmen, entrepreneurs and investors.

(ii) Investors: With the use of IFRS, it will be convenient for investors to assess the relative merits of alternative investment opportunities by making comparison of the financial performance of companies in different countries.

(iii) Multinational Companies: Multinational companies will find raising of funds from global markets easy. Consolidation of overseas subsidiaries would be easier due to IFRS.

(iv) International Audit Firms: The adoption of IFRS is in interest of international audit firms as it would facilitate sale of their services in different parts of the world.

(v) Developing Countries: Many countries do not have their domestic accounting standards. IFRS would enable them to adopt a ready-made system without spending any time, money or efforts. The adoption of IFRS would promote foreign investors to invest in developing countries. (Any four) [4]

Commonly Made Errors

Proper headings are not given by some students.

Explanations are repeated under different headings.

Answering Tip

Learn the benefits of IFRS with proper headings and their explanations.

Question 23.

Mohit has following transactions. Prepare Accounting Equation:

Business started with cash ₹ 1,75,000

Purchased goods from Rohit ₹ 50,000

Sold goods on credit to Manish (costing ₹ 17,500) ₹ 20,000

Purchased furniture for office use ₹ 10,000

Cash paid to Rohit in full settlement ₹ 48,000

Cash received from Manish ₹ 20,000 [4]

OR

Pass necessary Journal Entries in the books of Rohit Industries :

Wages due but not paid ₹ 1,000.

Received ₹ 600 from Mohan, which were written off as bad debts 2 years ago.

Shyamlal who owed us ₹ 4,000 became insolvent and a final dividend of 40 paise in rupee is received from his house.

Goods distributed as free samples ₹ 3,000. [4]

Answer:

Accounting Equation

No.	Transaction	Assets = Liabilities + Capital							
		Cash		+ Stock		+ Debtors		Furniture	= Creditors + Capital
(i)	Started business with cash ₹ 1,75,000	1,75,000							+1,75,000
(ii)	Purchased goods from Rohit ₹ 50,000			50,000				50,000	
	New Equation	1,75,000	+	50,000				=50,000	+1,75,000
(iii)	Sold Goods on credit to Manish (Costing ₹ 17,500) for ₹ 20,000			(17,500)	+	20,000		=	+2,500
	New Equation	1,75,000	+	32,500	+	20,000		=50,000	+1,77,500
(iv)	Purchased Furniture for office use.	(10,000)					+	10,000	
(v)	New Equation	1,65,000	+	32,500	+	20,000	+	10,000	=50,000 +1,77,500
	Cash Paid To Rohit in full settlement	(48,000)						=(50,000)	+2,000
(vi)	New Equation	1,17,000	+	32,500	+	20,000	+	10,000	=0 +1,79,500
	Cash received from Manish	20,000				(20,000)		0	=
(viii)	New Equation	1,37,000	+	32,500	+	0	+	10,000	=0 +1,79,500

Commonly Made Errors

Students decrease cash instead of increasing creditor.

Wrong treatment is done for goods sold by most of the students.

Answering Tips

Understand when goods are sold for cash and when on credit.

Capital is to be increased by the amount of profit.

Students need to do a lot of practice of accounting equations.

OR

In the Books of Rohit Industries

Journal Entries

Date	Particular	L.F	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Wages A/c To Outstanding Wages A/c (Being labour wages due)	Dr.	1,000	1,000
(ii)	Cash A/c To Bad Debt Recovered A/c (Being bad debt written off recovered)	Dr.	600	600
(iii)	Cash A/c Bad Debts A/c To Shyamlal (Being amount received from insolvent Shyamlal's Estate at 40 Paise per rupee)	Dr. Dr.	1,600 2,400	4,000
(iv)	Sales Promotion/Advertisement Exp. A/c To Purchases A/c (Being goods distributed as free samples)	Dr.	3,000	3,000

Commonly Made Errors

Some students are not able to pass the first entry of wages.

Some students debit "Capital A/c" for free distribution of goods.

Answering Tips

When wages are due but not paid "Outstanding Wages A/c" is credited.

Goods are freely distributed for sales promotion and therefore "Sales Promotion A/c" is to be debited.

Question 24.

Prepare a Bank Reconciliation Statement as at 30th June, 2014 for Jyoti Sales Private Limited from the information given below:

Bank Overdraft as per Cash Book on 30th June, 2014 ₹ 1,10,450

Cheques issued on 20th June, 2014 but not yet presented ₹ 15,000

Cheques deposited but not yet credited by Bank ₹ 22,750

Bills for collection not advised by bank but credited to the account ₹ 47,200

Interest debited by bank on 27th June, 2014 but no advice received ₹ 12,115

Subsidy received from the authorities by bank on our behalf, credited to the account ₹ 22,000

Amount wrongly debited by the bank ₹ 2,400

Amount wrongly credited by the bank. ₹ 5,000 [4]

Answer:

Bank Reconciliation statement



as on 30th June, 2014

Particulars	Amount (₹)	Amount (₹)
<i>Overdraft as per Cash Book</i>		1,10,450
<i>Add:</i> Cheques deposited but not yet credited	22,750	
Interest charged by bank	12,115	
Amount wrongly debited	2,400	37,265
		1,47,715
<i>Less:</i> Cheques issued but not yet presented	15,000	
Bills for collection credited by bank	47,200	
Subsidy received by bank	22,000	
Amount wrongly credited	5,000	(89,200)
<i>Overdraft as per Pass Book</i>		58,515

Question 25.

Prepare a Cash book with Cash and Bank Columns : [4]

2014 ₹

Jan. 1 Cash in Hand ₹ 5,000

Bank Overdraft ₹ 1,000

Jan. 2 paid Wages ₹ 1,500

Jan. 3 Deposited into bank ₹ 2,000

Jan. 4 Cash Sales ₹ 7,500

Jan. 5 Sold goods for cheque which was deposited in bank on the same day ₹ 5,000

Jan. 6 Purchased goods from Hariom on credit. ₹ 4,000

Jan. 7 Drew from bank for personal use ₹ 1,000

Jan. 8 paid to Hariom in full settlement ₹ 3,500

OR

How will you make posting into ledger from a simple Cash Book.

Answer:

Dr. Cash Book Cr.

Date	Particulars	L.F.	Cash (₹)	Bank (₹)	Date	Particulars	L.F.	Cash (₹)	Bank (₹)
2014					2014				
Jan. 1	To Balance b/d		5,000	–	Jan. 1	By Balance b/d		–	1,000
Jan. 3	To Cash A/c	(C)	–	2,000	Jan. 2	By Wages A/c		1,500	–
Jan. 4	To Sales A/c		7,500	–	Jan. 3	By Bank A/c	(C)	2,000	–
Jan. 5	To Sales A/c		–	5,000	Jan. 7	By Drawings A/c		–	1,000
					Jan. 8	By Hariom A/c		3,500	–
					Jan. 3	By Balance c/d		5,500	5,000
			12,500	7,000				12,500	7,000
Feb. 1	To Balance b/d		5,500	5,000					

Note: There will be no entry for credit transaction on Jan. 6. [4]

OR

Cash Book is a book of original entry, therefore, transactions recorded in Cash Book must be posted into ledger. While posting from simple Cash Book following points should be kept in mind:

(i) Cash Book is a subsidiary book as well as a principal book. It serves as a Cash Book as well as a Cash account. Therefore, cash account is not prepared in the Ledger.

(ii) Transactions recorded on the Debit side of Cash Book are posted to the credit side of the affected accounts in ledger by writing the words "By Cash Account" in the 'Particulars' column.

(iii) Transactions, recorded on the Credit side of Cash Book, are posted to the Debit side of the accounts [4]

Question 26.

"Accounting information should be comparable." Do you agree with this statement ? Give two reasons.

"The role of the accounting has changed over the period of time." Explain.

Enumerate informational needs of management. [6]

Answer:

(i) It is not sufficient that financial information is relevant and reliable at a particular time in a particular circumstances or for a particular reporting entity. The users of the general purpose financial reports need to be able to compare an aspect of an entity at one time and over the time; and between entities at time and over the time.

(ii) For centuries, the role of accounting has been changing with the changes in economic development increasing societal demands. It describes and analyses a mass of data of an enterprise through measurement, classification & summarisation, and reduces that data into reports and statements, which show the financial condition and results of operations of that enterprise.

(iii) Management is interested to review the firm's short term solvency and long term solvency, effective utilisation of resources and profitability in relation to investment and turnover and to decide upon the future course of action on the above decisions. Management needs a lot of other information for the efficient running of the business such as increase or decrease in sales, increase in cost of production etc. all such information are provided by accounting which helps the management in planning, decision making and controlling the business.

Question 27.

On April 1, 2011, X Ltd. purchased Machinery for ₹ 1,00,000 with CGST and SGST @ 6% each. The accounting year of the Company ends on 31st Dec. every year. Depreciation @ 10% p.a. on the initial cost is charged to P and L account and credited to a separate account known as 'Provision for Depreciation' account. On 1st July, 2013, the machine purchased on 1st April, 2011 was sold for ₹ 60,000. You are required to prepare Machinery Account and Provision for Depreciation Account upto 2013. [6]

Answer:

Dr. Machinery Account Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2011 Apr. 1	To Bank A/c		1,00,000	2011 Dec. 31	By Balance c/d		1,00,000
			<b>1,00,000</b>				<b>1,00,000</b>
2012 Jan. 1	To Balance b/d		1,00,000	2012 Dec. 31	By Balance c/d		1,00,000
			<b>1,00,000</b>				<b>1,00,000</b>
2013 Jan. 1	To Balance b/d		1,00,000	2013 July 1	By Bank A/c		60,000
				2013 July 1	By Prov. for Dep. A/c		22,500
				2013 July 1	By P & L A/c (Loss)		17,500
			<b>1,00,000</b>				<b>1,00,000</b>

Dr. Provision For Depreciation Account Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2011 Dec. 31	To Balance c/d		7,500	2011 Dec. 31	By Depreciation A/c		7,500
			<b>7,500</b>				<b>7,500</b>
2012 Dec. 31	To Balance c/d		17,500	2012 Jan. 1	By Balance b/d		7,500
			<b>17,500</b>	2012 Dec. 31	By Depreciation A/c		10,000
							<b>17,500</b>
2013 Jul. 31	To Machinery A/c		22,500	2013 Jan. 1	By Balance b/d		17,500
				2013 Jul. 1	By Depreciation A/c		5,000
			<b>22,500</b>				<b>22,500</b>

Commonly Made Errors

Students add the amount of CGST and SGST in the purchase price of machinery.

For the year 2011 students charge ' 10,000 as depreciation. w In the year of sale students charge depreciation for full year.

Answering Tips

(i) CGST and SGST are not a part of purchase price and are shown separately. Therefore, depreciation is not calculated on these amounts.

(ii) Students should properly calculate the number of months for which depreciation is to be calculated. w Depreciation is charged only till the date of sale.

Question 28.

Explain the following with one example:

Errors of Commission

Errors of Principle.

Under which side of the Trial Balance the following ledger balances will appear :

Purchases

Capital

Trade Receivable

Drawings

Discount Received

Buildings. [8]

OR

Rectify the following errors :

Goods purchased from Amar ₹ 3,000 were recorded in sales book.

A credit sale of ₹ 2,000 to Arun was posted to Varun's account.

Repair of furniture was debited to Furniture Account ₹ 700.

Material of ₹ 1,800 and wages ₹ 1,200 was related to making of furniture but no entry was passed for it. [8]

Answer:

(i) Errors of Commission: When any transaction is incorrectly recorded either wholly or partly, error of commission arises. It may consist of incorrect posting, calculation and balancing. Such an error is committed when an item is posted to the credit instead of to the debit of an account or vice-versa. For example: A credit purchase of ₹ 675 is entered in the Purchases Book as ₹ 576 or posting of ₹ 2,000 to the credit of Ranu instead of the credit of Manish.

(ii) Errors of Principle: Error of principle is committed when a transaction is recorded in a fundamentally incorrect manner. Such an error involves an incorrect allocation of expenditure or receipt between capital and revenue. For example: freight paid for bringing new machinery is posted to freight account or asset purchased is recorded in the purchases book.'

(iii)

Account	Side of Trial Balance
Purchases	Debit
Capital	Credit
Trade Receivable	Debit
Drawings	Debit
Discount Received	Credit
Building	Debit

OR

## Rectifying Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Purchases A/c Sales A/c To Amar (Being purchase on credit recorded in Sales Book, now rectified)	Dr. Dr.	3,000 3,000	6,000
(ii)	Arun To Varun (Being posted to wrong A/c, now corrected)	Dr.	2,000	2,000
(iii)	Repairs A/c To Furniture A/c (Being wrong posting of repairs to furniture, now rectified)	Dr.	700	700
(iv)	Furniture A/c To Wages A/c To Purchase A/c (Being error rectified)	Dr.	3,000	1,200 1,800

### Part-B [24 Marks] Financial Accounting-II

Question 29.

Which of the following is correct:

- (A) Operating profit = Operating profit - Non operating expenses - Non-operating incomes  
 (B) Operating profit = Net profit + Non-operating Expenses + Non-operating incomes  
 (C) Operating profit = Net profit + Non-operating expenses - Non-operating incomes  
 (D) Operating profit = Net profit - Non-operating expenses + Non-operating incomes [1]

Answer:

- (C) Operating profit = Net profit + Non-operating expenses - Non-operating incomes

Question 30.

Name one item which is shown as deduction from purchases in Trading Account. [1]

Answer:

Goods taken for personal use of proprietor.

Goods distributed as free samples.

Abnormal loss of stock. (Any one)

Question 31.

Which of the following adjustments will be shown in assets side of balance sheet?

- (A) Prepaid Exp.  
 (B) Outstanding Exp.  
 (C) Unearned income  
 (D) None of These [1]

Answer:

- (A) Prepaid Exp.

Explanation: Prepaid expenses represent those to whom we have paid in advance. So these are assets for the firm.

Question 32.

..... income means income due but not yet received. [1]

Answer:

Accrued.

Explanation: Accrued income refers to that income which has been earned in the current year but has not been received in that particular year.

Question 33.

Prepaid expenses are shown on/in :

- (A) assets side of balance sheet
- (B) liabilities side of balance sheet
- (C) contingent liabilities
- (D) None of These [1]

Answer:

Option (A) is correct.

Explanation: Prepaid Expenses are the assets for a firm. Hence shown in the assets side of the balance sheet.

Question 34.

Salaries paid to the employees should be debited to account. [1]

Answer:

Option (D) is correct.

Question 35.

At the end of the year, purchase Account is transferred to :

- (A) Capital A/c
- (B) Sales A/c
- (C) Purchase Return A/c
- (D) Trading A/c [1]

Answer:

(D) Trading A/c

Question 36.

Write a short note on operating profit. [3]

Answer:

Operating profit is a profit earned through normal activities of a business. It is the excess of gross profit over operating expenses. In other words, it is the excess of operating revenue over operating cost. It is also termed as earning before interest and tax (EBIT). It does not include income and expenses that are not related to main course of the business. It is calculated by following formula: Operating Profit = Gross Profit - Operating Expenses

OR

Operating Profit = Sales - Operating Cost

Operating Profit = Sales - COGS - Operating Expenses

Operating expenses include office and administrative expenses, selling and distribution expenses, discount, bad debts, etc.

Question 37.

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, 2014 :

	₹
Opening stock	50,000
Net sales	11,00,000
Net purchases	6,00,000
Direct expenses	60,000
Administration expenses	45,000
Selling and distribution expenses	65,000
Loss due to fire	20,000
Closing stock	70,000

Answer:

In the Books of M/s Rajiv & Sons.

Trading Account

Dr. For the year ended March 31, 2014 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		
	<b>11,70,000</b>		<b>11,70,000</b>

Operating Profit = 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

Question 38.

Prepare Trading and Profit & Loss Account and Balance Sheet from the following particulars as at 31st March, 2014:

Trial Balance

Particulars	Debit (₹)	Credit (₹)
Capital/Drawings	1,400	10,000
Cash-in-hand	1,500	-
Bank overdraft @ 5%	-	2,000
Purchases and Sales	12,000	15,000
Returns	1,000	2,000
Salary	2,500	-
Taxes and Insurance	500	-
Provision for Doubtful Debts	-	1,000
Bad debts	500	-
Sundry Debtors and Creditors	5,000	1,850
Commission	-	500
Investments	4,000	-
Stock on 1 <sup>st</sup> April, 201[3]	3,000	-
Furniture	600	-
Bills Receivable and Bills Payable	3,000	2,500
Output CGST	-	150
	<b>35,000</b>	<b>35,000</b>

Further, you are required to take into consideration the following information :

Salary ₹ 100 and taxes ₹ 400 are outstanding but insurance ₹ 50 prepaid.

Commission amounting to ₹ 100 has been received in advance for work to be done next year.

Interest accrued on investments ₹ 210.

Provision for Doubtful Debts is to be maintained at 20%.

Depreciation on furniture is to be charged at 10% p.a.

Stock on 31st March, 2014 was valued at ₹ 4,500.

A fire occurred on 25th March, 2014 in the god own and stock of the value of ₹ 1,000 was destroyed. It was fully insured and the insurance company admitted the claim in full. [8]

OR

Prepare a Trading and Profit & Loss account of M/s Green Club Ltd. year ending March 31, 2014, and a balance sheet on that date from the following figures taken from trial balance :

Table

Adjustments :

Depreciation charged on Machinery @ 5%p.a.

Further bad debts ₹ 1,500, discount on debtors @ 5% and provision on debtors @ 6%.

Wages prepaid ₹ 1,000.

Interest on investment @ 5% p.a is accrued.

Closing stock ₹ 10,000.



Answer:  
Trading and Profit & Loss Account  
Dr. for the year ended 31st March, 2014 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	3,000	By Sales	15,000
To Purchases	12,000	<i>Less: Sales Returns</i>	<u>(1,000)</u>
<i>Less: Purchases Returns</i>	(2,000)	By Closing Stock	4,500
To Gross Profit c/d	6,500	By Abnormal Loss of Stock	1,000
	<b>19,500</b>		<b>19,500</b>
To Salary paid	2,500	By Gross Profit b/d	6,500
<i>Add: Salary outstanding</i>	100	By Commission	500
To Taxes and Insurance	500	<i>Less: Unearned Commission</i>	(100)
<i>Add: Outstanding taxes</i>	<u>400</u>	By Interest Accrued on	
	900	Investment	210
<i>Less: Prepaid</i>	(50)		
To Interest on Bank overdraft	100		
To Bad Debts	500		
<i>Add: Closing Provision for</i>			
Doubtful Debts	1,000		
	1,500		
<i>Less Opening Provision</i>	<u>(1,000)</u>		
To Depreciation for furniture	60		
To Net Profit transferred to Capital A/c	3,000		
	<b>7,110</b>		<b>7,110</b>

Balance Sheet  
as on 31st March, 2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Bill Payable	2,500	Cash-in-hand	1,500
Sundry Creditors	1,850	Bills Receivable	3,000
Output CGST	150	Insurance Co.	1,000
Outstanding Expenses:		Investment	4,000
Salaries	100	<i>Add: Accrued interest</i>	<u>210</u>
Taxes	<u>400</u>	Prepaid Insurance	
Unearned Commission	100	Closing Stock	50
Bank overdraft	2,000	Sundry Debtors	4,500
<i>Add: Interest on bank overdraft</i>	<u>100</u>	<i>Less: Provision</i>	5,000
Capital:		Furniture	<u>(1,000)</u>
Opening Balance	10,000	<i>Less: Depreciation</i>	600
<i>Add: Net Profit</i>	<u>3,000</u>		540
<i>Less: Drawings</i>	13,000		
	<u>(1,400)</u>		
	<b>11,600</b>		
	<b>18,800</b>		<b>18,800</b>

OR

Mr. Green Club Ltd.  
Dr. Trading and P & L Account for the year ended March 31, 2014 Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		35,000	By Sales	2,50,000	
To Purchases	1,25,000		Less: Returns Inward	<u>25,000</u>	2,25,000
Less: Returns	<u>(6,000)</u>	1,19,000	By Closing Stock		10,000
To Wages	3,000				
Less: Prepaid	<u>(1,000)</u>	2,000			
To Gross Profit c/d		79,000			
		<b>2,35,000</b>			<b>2,35,000</b>
To Salary		12,300	By Gross profit b/d		79,000
To Postage and telegram		600	By Discount		1,000
To Rent and Rates		1,000	By Interest received	5,400	
To Packing and Transport		500	Add: Interest Accrued	<u>1,155</u>	6,555
To General Expenses		400			
To Insurance		4,000			
To Lighting and Heating		5,000			
To Discount		3,500			
To Old Bad debts	3,500				
+ New bad debts	1,500				
+ New Provision for Bad debts	<u>2,910</u>				
	7,910				
(-) Old Provision	<u>(4,500)</u>	3,410			
To Depreciation on Machinery		1,000			
To Provision for Discount on Debtors		2,280			
To Net Profit c/d		52,565			
		<b>86,555</b>			<b>86,555</b>

Balance Sheet  
as at March. 31, 2014

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	75,000		Debtors	50,000	
Add: Net Profit	<u>52,565</u>		Less: Bad Debts	(1,500)	
	1,27,565		Less: PBD	<u>(2,910)</u>	
Less: Drawing	<u>(Nil)</u>	1,27,565		45,590	
Creditors		10,000	Less: Additional Provision	<u>(2,280)</u>	43,310
Bills Payable		20,000	Cash in hand		20,000
			Cash at Bank		40,000
			Machinery	20,000	
			Less: Depreciation	<u>(1,000)</u>	19,000
			Investment	23,100	
			Add: Accrued Interest	<u>1,155</u>	24,255
			Stock		10,000
			Prepaid Wages		1,000
		<b>1,57,565</b>			<b>1,57,565</b>

Working Note:

(i) Interest on Investment =  $23,100 \times 5100 = ₹ 1,155$

(ii) Depreciation on Machinery =  $20,000 \times 5100 = ₹ 1,000$

(iii) Debtors

(-) Further bad debts

(-) Provision (6%)

(-) Discount (5%)

₹  
50,000  
(1,500)  
48,500  
(2,910)  
45,590  
(2,280)  
43,310  
[8]

