

Class 11
Accountancy
Set 2 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.

..... are the liabilities payable to a group of persons within the business enterprise. [1]

Answer:

Internal liabilities

Explanation: Liabilities which are payable internally (means persons or parties within the business enterprise are called internal liabilities)

Question 2.

Which of the following is not an example of current liability ?

- (A) Creditors
- (B) Bank overdraft
- (C) Building
- (D) None of These [1]

Answer:

(C) Building

Explanation: Building is an example of tangible fixed asset and all the other are current Liabilities.

Question 3.

“A and B are starting a business. A is of the view that all facts which influence the decision of users should be shown in financial statements.” A is following which accounting principle? [1]

Answer:

Full disclosure concept

Question 4.

..... voucher records a transaction entailing multiple debits, and one credit or multiple credits and one debit. [1]

Answer:

Compound Voucher

Question 5.

..... account will be credited on receipt of ₹ 5,000 from Mr. Z whose account was written off as bad debt. [1]

Answer:

Bad Debts Recovered Account

Explanation: Following entry will be passed for this:

Cash A/c	Dr.	5,000	-
To Bad debts recovered A/c		-	5,000

[Being bad debts amount recovered]

Question 6.

The periodic total of purchases return journal is posted to :

- (A) Purchase account
- (B) Profit & Loss account
- (C) Purchase returns account
- (D) Furniture account [1]

Answer:

- (C) Purchase returns account

Question 7.

Credit balance shown by the bank column in cash book is [1]

Answer:

Overdraft

Question 8.

A bank reconciliation statement is prepared with the balance of :

- (A) Passbook
- (B) Cashbook
- (C) Both pass book and cash book
- (D) None of These [1]

Answer:

- (C) Both pass book and cash book

Explanation: BRS is prepared in order to reconcile the bank balance as per cash book and pass book. It can be prepared by taking any of the two balances.

Question 9.

When the pass book balance is taken as the starting point, items which makes the pass book balance than the balance in the cash book must be deducted for the purpose of reconciliation. [1]

Answer:

Higher

Question 10.

What is the gradual decrease in the value of fixed assets due to wear and tear, usage and obsolescence, etc. called?

- (A) Depreciation
- (B) Amortisation
- (C) Depletion
- (D) Both (A) and (B) [1]

Answer:

- (A) Depreciation

Question 11.

..... Reserve can be used in distribution of Dividend. [1]

Answer:

Dividend Equalisation Reserve or any other correct.

Question 12.

What is the nature of Building A/c

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

Answer:

- (A) Real A/c

Explanation: Real accounts are the accounts of all the assets and liabilities of the business, Building is an assets of the business, Hence, It is a real account.

Question 13.

State, Whether the given statement is true or false:

'Bank column of cash book always shows a debit balance.' [1]

Answer:

False.

Explanation: Bank column of cash book can show both debit or credit balance. Debit balance refers to the favourable balance in our bank account whereas credit balance refers to overdraft balance in our bank account.

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

Anjula and company purchased a machinery of ₹ 1,00,000 on 1st July 2018 and spent ₹ 20,000 on its installation. On 1st Oct 2018, company paid ₹ 3,000 on its repairs, on 1st April 2019, company purchased another machinery of ₹ 80,000. On 1 July 2020, the machinery purchased on 1st July 2018, was sold at a loss of ₹ 18,000. Company uses straight line method of depreciation @ 10% p.a. closes its accounts on 31st March every year.

Question 14.

What amount of depreciation will be charged on 1st machinery for the year ended 31st March, 2019?

- (A) ₹ 6,329
- (B) ₹ 7,800
- (C) ₹ 12,000
- (D) ₹ 6,000 [1]

Answer:

- (D) ₹ 6,000

Explanation: Actual value of 1st machinery = 1,00,000 + 20,000 = ₹ 1,20,000 [Note: ₹ 3,000 on its repairs is a revenue expenditure, hence will not be added to the value of machinery].

Depreciation will be charged for six months

Amount of depreciation = $1,20,000 \times 10/100 \times 6/12$

= ₹ 6,000

Question 15.

Which account will be credited for charging Depreciation on machinery?

- (A) Profit & Loss A/c
- (B) Machinery A/c
- (C) Depreciation A/c
- (D) Cash A/c [1]

Answer:

- (B) Machinery A/c

Explanation: Following Entry will be passed for charging Dep.

Depreciation A/c Dr.

To machinery A/c
[Being Depreciation charged on machinery]

Question 16.

What is the amount of Depreciation charged on 2nd machinery at the end of the year 2021?

- (A) 16,000
- (B) 18,000
- (C) 8,000
- (D) 12,000 [1]

Answer:

- (A) 16,000

Explanation: 2nd machinery was purchased on 1st April 2019. So Depreciation to be charged from 1st April 2019 to 31 March 2021 [It means for 2 complete years]

$$\text{Depreciation} = 80,000 \times 10\% \times 2 \\ = ₹ 16,000$$

Question 17.

What is the sales proceed of the 1st machinery?

- (A) ₹ 90,000
- (B) ₹ 88,000
- (C) ₹ 78,000
- (D) ₹ 77,000 [1]

Answer:

- (C) ₹ 78,000

Explanation: Total Dep. Charged on 1st machinery:
[from 1st July 2018 to 30th June 2020]

$$= 1,20,000 \times 10\% \times 2 = ₹ 24,000$$

Actual value of machinery on 1st July 2020 after Dep.

$$= 1,20,000 - 24,000$$

$$= ₹ 96,000$$

$$\text{Loss on sale of machinery} = ₹ 18,000$$

$$\text{Sales proceeds} = 96,000 - 18,000$$

$$= ₹ 78,000$$

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

Pulkit (a businessman) had the following transactions in the month of January 2021. 2nd Jan. withdrew ₹ 15,000 from bank for personal use 5th Jan. ordered for Goods of worth ₹ 50,000, 10th Jan. paid ₹ 2,000 for the renewal of license. 15th Jan. paid ₹ 5,000 to Ram for salary.

Question 18.

Which account will be debited for transaction on 2nd Jan?

- (A) Drawings A/c
- (B) Cash A/c
- (C) capital A/c
- (D) None of These [1]

Answer:

- (A) Drawings A/c

Explanation: Following entry will be passed:

Drawings A/c	Dr.	15,000	-
To Bank A/c		-	15,000

[Being amount withdrew from bank for personal use]

Question 19.

Which account will be credited for transaction on 5th Jan.?

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

Answer:

- (D) None of These

Explanation: As per the accrual basis, this transaction will not be entered into book of accounts as consideration (Economic) has not been received.

Question 20.

Which account will be debited for transaction on 10th Jan.?

- (A) Asset A/c
- (B) Renewal fees A/c
- (C) Bank A/c
- (D) Capital A/c [1]

Answer:

- (B) Renewal fees A/c

Explanation: Following entry will be passed:

Renewal fees A/c	Dr.	2,000	-
To cash A/c		-	2,000

[Being renewal fees paid]

Note: It is a revenue expenditure

Question 21.

Which account will be credited for transaction on 15th Jan.?

- (A) Cash A/c
- (B) Ram's A/c
- (C) Salary A/c
- (D) None of These [1]

Answer:

- (A) Cash A/c

Explanation: Following entry will be passed:

Salary A/c	Dr.	5,000	-
To Cash A/c		-	5,000

[Being salary paid]

Question 22.

Explain the following :

Matching concept

Duality concept (Dual aspect concept). [3]

OR

Explain the following :

What information do the owners need?

What accounting information does the management need? [3]

Answer:

(i) Matching Concept: Matching concept means that the expenses should be matched with the revenues generated in the relevant period. Determination of the period in which revenue is to be realised is the first step in the application of this principle. The various basis used for determining the period in which the revenue is realised are sales basis, cash basis and the production basis. The second step is to find out the costs and expenses to be matched with the revenues.

This requires various adjustments to be made for outstanding expenses, accrued incomes, prepaid expenses, unearned incomes, etc. The accountant must estimate the life span of the asset and allocate a part of the expired cost over accounting periods until its useful life is ended. It is often impossible to determine what benefits have been or remain to be derived from certain cost outlays. Matching concept also requires the application of personal judgements in making the estimates for doubtful debts, discounts, etc.

(ii) Duality (Dual Aspect) Concept: Principle of duality or dual aspect concept means that every transaction affects two accounts. That is why Double Entry System of Book-Keeping came into existence. All business transactions are recorded on the basis of this concept. No transaction is complete without dual aspects. This concept is the foundation on which whole of book-keeping and accountancy is based. This principle has given us the fundamental rule "for every debit there is equivalent credit". According to this, there is following accounting equation:

Assets = Owners' Equity (Capital) + Outsiders' Equity (Liabilities)

OR

(i) Owners need information about performance of the business and its financial position. It helps them to decide whether to continue or shut down the business. In case of companies, shareholders are the owners, they need information to assess whether to buy, hold or sell their investment. They are also interested to know the ability of the business to survive, prosper and to pay dividend.

(ii) In case of companies, ownership and management are separate. Management needs accounting information to take various decisions in performance of their duties. Accounting information is also required to make future plans and controlling the performance of subordinates.

Question 23.

Prepare Bank Reconciliation Statement from the following :

Overdraft as per Pass Book ₹ 20,000

Interest on overdraft ₹ 500

Cheque issued to creditors not yet presented for payment ₹ 3,000

Cheque paid into Bank not yet collected ₹ 30,000

Interest on investment collected by Bank not recorded in Cash Book ₹ 500

The payment side of Bank column of Cash Book Overcast by ₹ 700 [4]

Answer:
Bank Reconciliation Statement

	Particulars	Amount (₹)
<i>Bank overdraft as per Pass Book</i>		20,000
<i>Add: Cheque issued not presented</i>		3,000
<i>Interest on investment collected but not recorded in Cash Book</i>		500
<i>Payment side overcast in Cash Book</i>		700
		24,200
<i>Less: Interest on Overdraft not recorded in Cash Book</i>		(500)
<i>Cheques deposited but not collected</i>		(30,000)
<i>Bank Balance (Dr.) as per Cash Book</i>		6,300

Commonly Made Errors

Students are not able to understand the meaning of interest on overdraft.

Wrong treatment is done by most of the students for overcast of payment side of cash book. They simply deduct this amount in BRS.

Answering Tips

Students should understand the meaning of different terminologies. Interest on overdraft means interest charged by bank on the overdraft balance of pass book.

Since overdraft balance as per pass book is given, the overcast amount will be added to the pass book balance. Students should carefully read the question and then understand what treatment is to be given to different items.

Question 24.

Post the following into the Ledger :

Returns Inward Book

Date	Particulars	L.F.	Details (₹)	Amount (₹)
201[3] Nov. 10	M/s Rama Book Co. : 5 Copies Double Entry Book-Keeping @ ₹ 90 Less : Trade Discount		450.00 (45.00)	405.00
Nov. 20	M/s Ramesh and Co. 1 Copy Business Methods by S.R. Verma		50.00	50.00
Nov. 30	Returns Inward A/c MeritBatch.com Dr.			455.00

Answer:

In the Books of
Ledger

Dr. M/s Rama Book Co. Account Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
				2013 Nov. 10	By Returns Inward		405

Dr. **MeritBatch.com** M/s Ramesh & Co. Account Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
				2013 Nov. 20	By Returns Inward		50

Dr. Returns Inward Account Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2013 Nov 30	To Sundries as per Returns Inward Book		455				

Question 25.

Prepare a Cash Book with Cash and Bank Columns from the following transactions:

Jan. 1	Cash in hand ₹ 5,000, Bank overdraft ₹ 1,000							₹
Jan. 2	Deposited into bank							1,000
Jan. 3	General Expenses paid							600
Jan. 7	Purchased goods from Mudit on credit							2,000
Jan. 10	Drew from bank for personal use							1,200
Jan. 12	Paid to Mudit in full settlement							1,800
Jan. 15	Recovered from Sunny, who owe ₹ 3,000							1,200

How will you make posting from a petty cash book. [4]

OR

How will you make posting from a petty cash book.

Answer:

Dr. Cash Book Cr.

Date	Particular	L.F.	Cash (₹)	Bank (₹)	Date	Particular	L.F.	Cash (₹)	Bank (₹)
2007					2007				
Jan. 1	To Bal. b/d		5,000	1,000	Jan. 1	By Bal. b/d		-	1,000
Jan. 2	To Cash A/c	(C)	-	-	Jan. 2	By Bank A/c	(C)	1,000	-
Jan. 15	To Bad debts recovered		-	1,200	Jan. 3			600	-
Jan. 31	To Bal. c/d		1,500		Jan. 10			-	1,200
			-		Jan. 12	By Mudit		1,800	-
					Jan. 31	By Bal. c/d		3,100	-
			6,500	2,200				6,500	2,200

Note: There will be no entry for credit transaction.

OR

Petty cash book is considered as a memorandum book. The petty expenses are not directly posted to ledger accounts. A petty cash account is maintained in the ledger. When petty cash is advanced to the petty cashier, the main cashier will record it on the credit side of the Cash Book "By Petty Cash A/c".

At the end of specified period, for the total expenses paid, a journal entry shall be passed by debiting to individual petty expenses and crediting to Petty Cash Account. All the accounts relating to petty expenses shall be opened in the ledger individually. Posting will be made on the debit side of these accounts by writing "To Petty Cash A/c".

Question 26.

Distinguish between Capital Expenditure & Revenue Expenditure. [6]

Answer:

Difference between Capital Expenditure and Revenue Expenditure

Basis of Difference	Capital Expenditure	Revenue Expenditure
(i) Timings	It is charged to expense gradually via depreciation and over a long period of time.	It is charged to expense in the current period, or shortly thereafter.
(ii) Consumption	It is assumed to be consumed over the useful life of the related fixed asset.	It is assumed to be consumed within a very short period of time.
(iii) Size	It tends to involve larger monetary amounts than revenue expenditures. This is because an expenditure is only classified as a capital expenditure if it exceeds a certain threshold value; if not, it is automatically designated as a revenue expenditure.	Quite large expenditures can still be classified as revenue expenditures, as long they are directly associated with sale transactions or are period costs.

Question 27.

A Maruti Van was purchased on 01/01/2000 for ₹ 60,000 and ₹ 5,000 were spent on its repair and registration. On 01/07/2001 another van was purchased for ₹ 70,000. On 01/01/2002, the Van purchased on 01/01/2000 was sold for ₹ 45,000 and a new van costing ₹ 1,70,000 was purchased on the same date. Show the Maruti Van Account from 2000 - 02 on the basis of Straight Line Method, if the rate of depreciation charged 10% @ p.a. Assume that books are closed on 31st Dec. every year. [6]

Answer:

Dr.

Maruti Van Account

Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2000 Jan. 1	To Bank A/c (I)		60,000	2000 Dec. 31	By Depreciation A/c		6,500
Jan.1	To Cash A/c		5,000	Dec. 31	By Balance c/d		58,500
			65,000				65,000
2001 Jan. 1	To Balance b/d		58,500	2001 Dec. 31	By Depreciation:		
July 1	To Bank A/c (II)		70,000		I. 6,500		
					II. <u>3,500</u>		10,000
				Dec. 31	By Balance c/d		
					I. 52,000		
					II. <u>66,500</u>		1,18,500
			1,28,500				1,28,500
2002 Jan. 1	To Balance b/d			2002 Jan. 1	By Bank A/c (Sales)		45,000
	I. 52,000			Jan. 1	By P and L A/c		7,000
	II. <u>66,500</u>		1,18,500	Jan. 1	By Depreciation A/c		
Jan.1	To Bank A/c (III)		1,70,000	Dec. 31	II. 7,000		
					III. <u>17,000</u>		24,000
					By Balance c/d		
					II. 59,500		
					III. <u>1,53,000</u>		2,12,500
			2,88,500				2,88,500

Commonly Made Errors

While calculating depreciation many students do not add the amount of repair and registration to the purchase price of van.

Answering Tips

Since repair and registration expenses are incurred on the purchase of machinery, they are to be added to the purchase price for calculating depreciation.

Question 28.

Rectify the following errors and ascertain the amount of difference in trial balance by preparing suspense account:

Credit sales to Mohan ₹ 7,000 were not posted to Sales A/c.

Credit purchases from Rohan ₹ 9,000 were not posted in Purchases A/c.

Goods returned to Rakesh ₹ 4,000 were not posted in Purchases Returns A/c.

Goods returned from Mahesh ₹ 1,000 were not posted in Sales Returns A/c.

Cash paid to Ganesh ₹ 3,000 was not posted to his account.

Cash sales ₹ 2000 were not posted to sales A/c. [8]

OR

Rectify the following errors assuming that a suspense account was opened. Ascertain the difference in trial balance.

Credit sales to Mohan ₹ 7,000 were posted to Karan as ₹ 5,000.

Credit purchases from Rohan ₹ 9,000 were posted to the debit of Gobind as ₹ 10,000.

Good returned to Rakesh ₹ 4,000 were posted to the credit of Naresh as ₹ 3,000.

Goods returned by Mahesh ₹ 1,000 were posted to the debit of Manish as ₹ 2,000.

Cash sales ₹ 2,000 were posted to Commission account as ₹ 200.

Answer:

Journal Entries

S. No.	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Suspense A/c To Sales A/c (Being credit sale to Mohan not posted previously, now posted)	Dr.	7,000	7,000
(ii)	Purchase A/c To Suspense A/c (Being credit purchase from Rohan not previously posted to Purchase A/c, now posted)	Dr.	9,000	9,000
(iii)	Suspense A/c To Purchase Returns A/c (Being goods returned to Rakesh not posted, now posted)	Dr.	4,000	4,000
(iv)	Sales Return A/c To Suspense A/c (Being goods returned by Mahesh, now posted)	Dr.	1,000	1,000
(v)	Ganesh To Suspense A/c (Being cash paid to Ganesh not posted previously, now posted)	Dr.	3,000	3,000
(vi)	Suspense A/c To Sales A/c (Being cash sale posted now which was not previously posted)	Dr.	2,000	2,000

Dr. Suspense Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sales A/c	7,000	By Purchase A/c	9,000
To Purchase Return A/c	4,000	By Sales Returns A/c	1,000
To Sales A/c	2,000	By Ganesh	3,000
	13,000		13,000

OR



Journal Entries

S. No.	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Mohan Dr. To Karan To Suspense A/c (Being Credit sale to Mohan posted to Karan wrongly and amount also posted incorrectly, now rectified)		7,000	5,000 2,000
(ii)	Suspense A/c Dr. To Rohan Dr. To Gobind (Being goods purchased from Rohan debited to Gobind, now rectified)		19,000	9,000 10,000
(iii)	Rakesh Dr. Naresh Dr. To Suspense A/c (Being goods returned to Rakesh, wrongly credited to Naresh account, now rectified)		4,000 3,000	7,000
(iv)	Suspense A/c Dr. To Manish To Mahesh (Being goods returned by Mahesh, wrongly debited to Manish, now rectified)		3,000	2,000 1,000
(v)	Suspense A/c Dr. Commission A/c Dr. To Sales A/c (Being Cash sale of ₹ 2,000 wrongly entered in commission account as ₹ 200)		1,800 200	2,000

Dr. Suspense Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rohan	9,000	By Mohan	2,000
To Gobind	10,000	By Rakesh	4,000
To Manish	2,000	By Naresh	3,000
To Mahesh	1,000	By Difference in Trial Balance (b/f)	14,800
To Sales A/c	1,800		
	23,800		23,800

Part-B [24 Marks]

Financial Accounting-II

Question 29.

Write the formula for operating profit. [1]

Answer:

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

Question 30.

“Full amount of loss is shown in the credit side of Trading Account and is also shown in the assets side of Balance Sheet.” For which item is this adjustment related to? [1]

Answer:

Abnormal loss if it is fully insured.

Question 31.

Identify the correct statement regarding outstanding exp.

- (A) Expenses which occur in the current year and are paid in the same year.
- (B) Expenses which occur in the current year but have not been paid in the current year.
- (C) Income which has been earned and received.
- (D) Heavy Expenditure which will give benefit for more than a year. [1]

Answer:

- (B) Expenses which occur in the current year but have not been paid in the current year.

Explanation: Outstanding expenses are those expenses which occur in the current year but have not been paid in that year.

Question 32.

Is renewal fee of license a revenue expenditure or a capital expenditure ? [1]

Answer:

Revenue expenditure.

Question 33.

Printing and stationery is an example of expenses. [1]

Answer:

Indirect.

Question 34.

Balance sheet is a , not an account. [1]

Answer:

Statement.

Question 35.

..... is the excess of gross profit on sales over total operating expenses.

- (A) Net profit
- (B) Net Loss
- (C) Operating profit
- (D) None of These [1]

Answer:

- (C) Operating profit

Explanation: The operating profit is derived by a firm over a period of its normal operations. The difference between gross profit of an enterprise and its operating cost constitute operating profit or loss.

Question 36.

Explain the concept of cost of Goods sold. [3]

Answer:

Cost of goods sold (COGS) is the cost of merchandise that is sold to the customer. It includes cost of raw materials purchased, direct expenses incurred, value of opening stock, i.e., the value of the last year 's unsold stock and excludes closing stock, if any, i.e., the value of current year's unsold stock. The formula to calculate COGS is:

$$\text{Cost of Goods Sold} = \text{Opening Stock} + \text{Net Purchases} + \text{Direct Expenses} - \text{Closing Stock}$$

Question 37.

The following are the extracts from the trial balance of M/s Bhola & Sons as on March 31,2014 :

Particulars	Debit (₹)	Credit (₹)
Opening stock	2,00,000	
Purchases	8,10,000	
Sales		10,10,000
	10,10,000	10,10,000

You are required to record the necessary journal entries and show how the above items will appear in the Trading and Profit & Loss Account and Balance Sheet of M/s Bhola & Sons. The value of closing stock on March 31, 2014 was ₹ 3,00,000. [6]

Answer:

In the Books of M/s Bhola and Sons Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2014				
Mar-31	Trading A/c Dr. To Opening Stock A/c To Purchases A/c (Being balances from Purchases Account and Stock Account transferred to Trading Account)		10,10,000	2,00,000 8,10,000
Mar-31	Sales A/c Dr. Closing Stock A/c Dr. To Trading A/c (Being balance from sales and closing stock transferred to Trading Account)		10,10,000 3,00,000	13,10,000
Mar-31	Trading A/c Dr. To Profit and Loss (Gross Profit) A/c (Being balance of Trading Account (gross profit) transferred to Profit and Loss Account)		3,00,000	3,00,000

Trading and Profit and loss Account

Dr. for the year ended March 31, 2014 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	2,00,000	By Sales	10,10,000
To Purchases	8,10,000	By Closing Stock	3,00,000
To Profit and Loss A/c (Gross Profit)	3,00,000		
	13,10,000		13,10,000

Balance Sheet as on March 31, 2014

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

Question 38.

From the following Trial Balance of Mr. Priyank prepare a Trading and Profit & Loss A/c for the year ending 31st March, 2014 and Balance Sheet as on that date :

Particulars	Amount (₹)	Particulars	Amount (₹)
Cash	10,000	Sales	1,80,500
Stock	40,800	Returns	195
Wages	22,525	Loan at 12% (on 1.7.2013)	20,000
Purchases	1,30,295	Creditors	30,305
Returns	2,400	Discount	530
Repairs	1,675	Capital	37,500
Bad debts	2,310		
Interest on Loan	600		
Salaries	8,000		
Sales Tax	800		
Octroi	500		
Insurance	1,000		
Charity	125		
Rent	2,000		
Machinery	16,000		
Debtors (including Shyam for dishonoured bill of ₹ 800)	30,000		
	2,69,030		2,69,030

Adjustments:

Wages include ₹ 2,000 for erection of new machinery on 1.4.2013.

Stock on 31st March, 2014 was ₹ 40,925.

Provide depreciation on machinery @ 5% p.a.

Salaries unpaid ₹ 800.

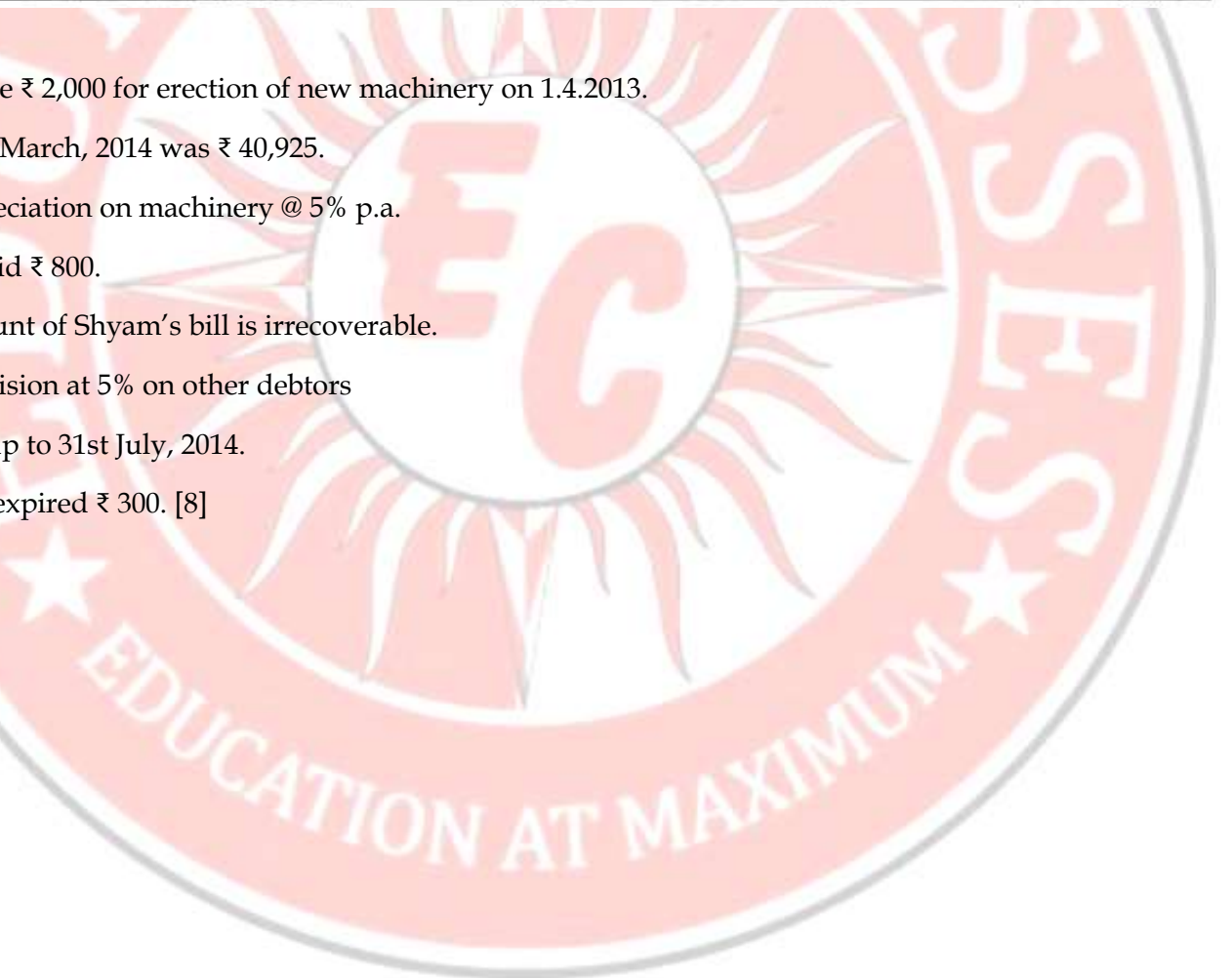
Half the amount of Shyam's bill is irrecoverable.

Create a provision at 5% on other debtors

Rent is paid up to 31st July, 2014.

Insurance unexpired ₹ 300. [8]

OR



Prepare a Trading and Profit & Loss account for the year ending March 31, 2014, from the balances extracted of M/s Rahul Sons. Also, prepare a balance sheet at the end of the year :

Particulars	Amount(₹)	Particulars	Amount (₹)
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases returns	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for bad debts	2,500
Sales returns	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		
Traveling 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 :

Commission received in advance ₹ 1,000.

Rent receivable ₹ 2,000.

Salary outstanding ₹ 1,000 and insurance prepaid ₹ 800.

Further bad debts ₹ 1,000 and provision for bad debts @ 5% on debtors and discount on debtors @ 2%.

Closing stock ₹ 32,000.

Depreciation on building @ 6% p.a. [8]

Answer:

In the Books of Mr. Priyank
Trading and Profit & Loss Account
Dr. for the year ended 31st March, 2014 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	40,800	By Sales	1,80,500
To Purchases	1,30,295	Less: Returns	(2,400)
Less: Returns	(195)	By Closing Stock	40,925
To Wages	22,525		
Less: Erection of New Machinery	(2,000)		
To Octroi	500		
To Gross Profit c/d	27,100		
	2,19,025		2,19,025
To Salaries	8,000	By Gross Profit b/d	27,100
Add: Unpaid	800	By Discount	530
To Rent	2,000		
Less: Prepaid	(500)		
To Insurance	1,000		
Less: Prepaid	(300)		
To Bad Debts	2,310		
Add: Bad L	400		
Add: Provision	1,480		
To Repairs			
To Interest on Loan	600		
Add: O/S	1,200		
To Sales Tax	800		
To Charity	125		
To Depreciation on Machinery	900		
[@ 5% on ₹ (16,000 + ₹ 2,000)]			
To Net Profit transferred to Capital A/c	7,140		
	27,630		27,630

Balance Sheet as at 31st March, 2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	30,305	Cash	10,000
Loan	20,000	Debtors	30,000
Interest on Loan outstanding	1,200	Less: Bad Debts	(400)
Outstanding Salaries	800		29,600
Capital	37,500	Less: Provision @ 5%	
Add: Profit	7,140	on ₹ 29,600	(1,480)
	44,640	Closing Stock	40,925
		Prepaid Rent for 4 months @ ₹ 125	500
			300
		Machinery	16,000
		Add: Wages for erection	2,000
			18,000
		Less: Depreciation	(900)
			17,100
	96,945		96,945

Note: It has been assumed that rent (₹ 2,000) was paid on 1.4.2013 for 16 months ending 31st July, 2014. Alternatively, it could have been assumed for 12 months. In that case, prepaid rent will be ₹ 667, and net profit will be ₹ 7,327.

Commonly Made Errors

Students wrongly deducted ₹ 800 from debtors.

Answering Tips

Since the bill from Shyam is dishonoured, there is no need to deduct ₹ 800 from the amount of debtors.

OR

Books of M/s Rahul Sons Trading and Profit & Loss Account Dr. for the year ended, March 31, 2014 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	50,000	By Sales	1,80,000
To Purchases	1,75,000	Less: Sales Returns	(3,000)
Less: Returns	(2,000)	By Closing Stock	32,000
To Wages	3,000	By Gross Loss c/d	17,000
	2,26,000		2,26,000
To Gross Loss b/d	17,000	By Discount Received	500
To Depreciation on Building	6,600	By Commission received	4,000
To Telegram Expenses	200	Less: Advance	(1,000)
To Postage	300	By Rent	6,000
To Travelling Expenses	4,200	Add: Accrued	<u>2,000</u>
To Salary	8,000	By Net Loss	43,189
Add: Outstanding	<u>1,000</u>		
To Discount Allowed	1,000		
To Insurance	3,200		
Less: Prepaid	(800)		
To Rent, Rates and Taxes	4,300		
To Trade Expenses	1,500		
To Bad Debts	2,000		
+ Further Bad Debts	1,000		
+ New Provision for Bad Debts	<u>4,050</u>		
	7,050		
(-) Old Provision for Bad Debt	(2,500)		
To Repairs and Renewals	1,600		
To Legal Fee	500		
To Discount on Debtors	1,539		
	54,689		54,689

Balance Sheet as at March 31, 2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	3,00,000	Insurance Prepaid	800
Less: Drawings	(32,000)	Debtors	82,000
	2,68,000	Less: Further Bad Debts	(1,000)
Less: Net Loss	(43,189)		81,000
Outstanding Salary	1,000	Less: PBD	(4,050)
Commission Received in advance	1,000		76,950
Bills Payable	22,000	Less: Discount on Debtors	(1,539)
Loan	34,800		75,411
		Fixtures and fitting	20,000
		Bills Receivable	50,000
		Building	1,10,000
		Less: Depreciation	(6,600)
		Closing Stock	32,000
		Rent Receivable	2,000
	2,83,611		2,83,611