

Class 11

Accountancy

Set 3 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 an area of interest for the management while using accounting information?

- (A) Financial Position
- (B) Long-term and short-term solvency
- (C) Profitability
- (D) All of these [1]

Answer:

- (D) All of these

Question 2.

Cost of a calculator of ₹ 500 is charged as Revenue and not treated as an asset, although its useful life is extended to more than one year. Which accounting concept is being followed? [1]

Answer:

Materiality concept

Question 3.

..... means the first journal entry of the accounting year passed to record various assets and liabilities in the beginning of the year. [1]

Answer:

Opening entry

Explanation: It is the essential entry which is brought forward at the beginning of an accounting period from the end of previous accounting.

Question 4.

..... account should be credited if computer is purchased from Ram for cash. [1]

Answer:

Cash

Question 5.

Balancing of account means :

- (A) Total of debit side
- (B) Total of credit side
- (C) Finding the difference in total of debit & credit
- (D) None of These [1]

Answer:

- (C) Finding the difference in total of debit & credit

Explanation: Balancing of account means that the two sides are totaled and the difference between them is shown on the side, which is shorter in order to make their totals equal.

Question 6.

The amount paid to the petty cashier at the beginning of a period is known as amount. [1]

Answer:

Imprest

Question 7.

Favourable bank balance means :

- (A) Credit balance in the cash book
- (B) Credit balance in passbook
- (C) Debit balance in the cash book
- (D) Both (B) and (C) [1]

Answer:

(D) Both (B) and (C)

Question 8.

State whether the following statement is True or False:

When payments are made by the bank as per the standing instructions of the customer, the balance in the passbook will be more when compared to the cash book. [1]

Answer:

False

Question 9.

..... is a cause of depreciation. [1]

Answer:

Wear and tear due to usage

Question 10.

Amounts that are created against profit to meet a known liability :

- (A) Reserves
- (B) Provisions
- (C) both (A) and (B)
- (D) None of the above [1]

Answer:

(B) Provisions

Question 11.

As per the accounting equation, if the total asset of the firm are ₹ 3,00,000 and outsider's Liabilities are ₹ 1,00,000.

The capital Employed of the firm will be:

- (A) ₹ 3,00,000
- (B) ₹ 4,00,000
- (C) ₹ 2,00,000
- (D) None of These [1]

Answer:

(C) ₹ 2,00,000

Explanation: As per the accounting equation Total Assets = Capital + Outsider's Liabilities = 3,00,000 = Capital + 1,00,000

Capital = 3,00,000 - 1,00,000

Capital = ₹ 2,00,000

Question 12.

Which of the following is not true about ledger?

- (A) It is a principle book of business.
- (B) It is the collection of all accounts.
- (C) Ledger helps in the preparation of journal.
- (D) Trial Balance is prepared on the basis of the information given in trial Balance. [1]

Answer:

(C) Ledger helps in the preparation of journal.

Explanation: Business transactions are first recorded through journal and then posted to Ledger. So journal helps in the preparation of ledger. So Option (C) is not true regarding ledger.

Question 13.

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

Ravindra Tyagi had the following transactions for the month of may 2021:

- 12th May, sold Goods of ₹ 30,000 to Vikram for cash.
- 15th may, deposited 10,000 to bank Account.
- 16th May, purchased goods of list price ₹ 12,000 @ 10% trade discount.
- 20th May, cash paid to Varun of ₹ 11,900 and received discount of ₹ 100.
- 26th May withdrew goods for personal use ₹ 3,000.

Answer:

Debit Sales Account as well as Cash Account and credit Tarun's Account as well as Computer Account

Question 14.

Which account will be debited for the transaction on 15th May?

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

Answer:

Option (A) is correct.

Explanation: Following entry will be passed:

Bank A/c	Dr.	10,000	-
To Cash A/c		-	10,000

Question 15.

What is the actual amount of sales for the transaction on 16th May? [1]

Answer:

Option (C) is correct. III

Explanation: Actual amount of sales = List price –

Trade discount = 12,000 – 10% of 12,000

= 12,000 – 1,200

Question 16.

Which account will be credited for the transaction on 20th May? [1]

Answer:

Option (D) is correct.

Explanation: Following journal entry will be passed.

Varun	Dr.	12,000	-
To Cash A/c		-	11,900
To Discount Received A/c		-	100

[Being payment made to varun]

Question 17.

Name the account that will be debited for the transaction on 26th May:

- (A) Purchase A/c
- (B) Drawings A/c
- (C) Cash A/c
- (D) Sundry Exp. A/c [1]

Answer:

Option (B) is correct.

Explanation: Following entry will be passed:

Drawings A/c	Dr.	3,000	-
To purchase A/c		-	3,000

[Being goods withdrawn for personal use]

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

The following is the trial balance prepared by a novice person.

Trial Balance as at

Particulars	L.F.	Amount Dr. (₹)	Amount cr. (₹)
Cost of Goods sold		1,50,000	-
Debtors		-	60,000
Fixed Assets		50,000	-
Expenses		-	20,000
Sales		-	2,00,000
Capital		91,000	-
Drawings		-	1,000
Opening stock		60,000	-
Closing stock		-	40,000
Creditors		-	30,000
		3,51,000	3,51,000

Question 18.

Debtors given in the trial balance should be placed at:

- (A) Debit side
- (B) Credit side
- (C) No side
- (D) Either Debit or credit [1]

Answer:

(A) Debit side

Explanation: Debtors are the persons or parties who will pay to the firm. Debtors have a debit balance – so will be shown on debit side.

Question 19.

Where will opening stock be placed?

- (A) Debit side
- (B) Credit side
- (C) No side
- (D) Either Debit or credit [1]

Answer:

(C) No side

Explanation: In trial balance, cost of Goods sold is given which shows that the value of opening stock has already been included in COGS. Hence opening stock will not be shown in trial balance.

Question 20.

Is capital placed on the correct side?

(A) Yes

(B) No

(C) Can't say

(D) None of These [1]

Answer:

(B) No

Explanation: Capital is the amount that has been invested by the owner in the business, But due to separate entity, business and owner are separate from each other. It means capital is a liability for the firm and has credit balance. So should be placed on credit side.

Question 21.

Is closing stock placed on the correct side?

(A) Yes

(B) No

(C) Can't say

(D) None of These [1]

Answer:

(B) No

Explanation: Closing stock is an asset of the business and assets have debit balance. So closing stock should be shown on debit side.

Question 22.

How will you deal with the following items in accounting equation (answer any three):

(i) Interest due but not received

(ii) Rent received in advance

(iii) Insurance premium paid in advance

(iv) Salaries due but not paid.

OR

State the rules of debit and credit on the basis of nature of accounts. [3]

Answer:

(A) We deal with the following items in accounting equation as:

Accrued interest shall be added to assets on the one side and to the capital on the other side.

It will increase cash on the assets side and increase the liabilities.

It will decrease assets (Cash) and increase assets (Prepaid insurance).

Salary, being expense will be deducted from the capital and being unpaid will be added to liabilities. (Any three)

Commonly Made Error

Students are not able to write the treatment of such transactions in accounting equation.

Answering Tip

Students should get their concepts clear and practice the treatment of such transactions.

OR

On the basis of the nature of accounts the rules of debit and credit are explained below:

Asset, Expense and loss account:

Debit the increase, Credit the decrease.

Liability accounts, Income and gain account: Debit the decrease, Credit the increase.

Capital accounts: Debit the decrease, Credit the increase.

Question 23.

Accounting provides qualitative information about the financial transactions which are useful in making economic decisions. Accounting collects, records, classifies and summarizes the financial information which is communicated to its users. In the same context explain any three external users of accounting. [4]

OR

Why is the consistency principle important? [4]

Answer:

Three external users of accounting are:

- (i) Creditors: The persons to whom business owes money are the creditors of the business. Since they have advanced some money or money's worth to the business, their fate is tagged to the prosperity of the concern.
- (ii) Potential Investors: It is only after getting a detailed information about the profitability of the concern that investors take decisions regarding investment to be made in that particular business. Accounting information is of great use to them in this connection.
- (iii) Government: Accounting information is required by the government for fixing GST, assessing the profitability of the concern, computing national income and determining the growth rate of industry. (Any two)

Commonly Made Error

While writing the answer students confuse between the external users of accounting and the internal users of accounting.

Answering Tips

Read the question carefully. Understand who are the internal users of accounting and who are the external users of accounting.

OR

It is assumed that accounting policies are consistent from one period to another. This adds the virtue of comparability to accounting data. If comparability is lost, the relevance of accounting data for users' judgement and decision making is gone. It makes the consistency principle important.

Question 24.

On 31st March, 2015 the pass book showed a credit balance of ₹ 9,000.

Prepare a Bank Reconciliation Statement from the following particulars :

Cheque issued but not yet presented for payment ₹ 7,000.

Cheque issued but omitted to be recorded in cash book ₹ 3,800.

Cheque paid into bank but not yet collected by the bank ₹ 2,600.

Premium of life policy paid by bank on standing order ₹ 360

Payment received from customers directly by the bank ₹ 2,000. [4]

Answer:

Bank Reconciliation Statement

as on 31st March, 2015

S.No.	Particulars	Amount (₹) (+)	Amount (₹) (-)
	Balance as per Pass Book	9,000	
(i)	Cheque issued but not yet presented for payment		7,000
(ii)	Cheque issued but omitted to be recorded in Cash Bank	3,800	
(iii)	Cheque paid into bank but not yet collected by the Bank	2,600	
(iv)	Premium of Life Policy paid by Bank on standing order	360	
(v)	Payment received from customer directly by the bank		2,000
	<i>Balance as per Cash Book</i>		6,760
		15,760	15,760

Commonly Made Error

Students get confused by the term "standing order". They misinterpret it as entry is made both in cash book as well as pass book.

Answering Tip

Standing order means customer has given instructions to the bank to directly make any payment. Therefore, for such payments entry is sometimes made only in Pass Book.

Question 25.

Enter the following transactions in a simple Cash Book of Lata, Delhi

Jan. 01 Started Business with Cash 1,00,000

Jan. 02 Opened a bank account and deposited 50,000

Jan.03 Purchased goods for cash for ₹ 20,000 plus CGST and SGST @ 6% each from Kala Electricals, Delhi Jan.

03 Sold goods of ₹ 5000 plus IGST @ 12% to Ram of Chandigarh on credit.

Jan. 05 Received from Ram 3000

Jan. 07 Paid Rent of ₹ 4000 plus CGST and SGST @ 6% each

Jan. 31 Paid Salaries 5,000 [4]

Answer:

In the Books of Lata, Delhi

Dr. Cash Account Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
Jan. 01	To Capital A/c		1,00,000	Jan. 02	By Bank A/c		50,000
Jan. 05	To Ram		3,000	Jan. 03	By Purchases A/c		20,000
				Jan. 03	By Input CGST A/c		1,200
				Jan. 03	By Input SGST A/c		1,200
				Jan. 07	By Rent A/c		4,000
				Jan. 07	By Input CGST A/c		240
				Jan. 07	By Input SGST A/c		240
				Jan. 31	By Salaries A/c		5,000
				Jan. 31	By Balance c/d		21,120
			1,03,000				1,03,000
Feb. 01	To Balance b/d		21,120				

Note: There will be no entry for credit on Jan. 03

Commonly Made Error

Students add the amount of CGST and SGST in the amount of purchases / rent.

Answering Tip

CGST and SGST are to be shown separately. Understand the accounting treatment of CGST and SGST

Question 26.

Rajan purchased a machine on 1st October, 2017 for ₹ 5,00,000 plus CGST and SGST @ 6% each. He paid ₹ 20,000

for loading/unloading and carriage expenses to the bring the machine to factory. He further incurred ₹ 25,000 for installing the machine. Determine: [6]

How much amount did Rajan pay to vendor of machine?

How much amount will be debited to Machinery Account?

Pass the Journal Entries giving effect to the transaction. [6]

Answer:

(i) **Amount Paid to Vendor of Machine:**

Value (Cost) of Machine	₹ 5,00,000
Add: CGST @ 6%	30,000
SGST @ 6%	30,000
	<u>5,60,000</u>

(ii) **Amount debited to Machinery Account:**

Cost	5,00,000
Carriage expenses	20,000
Installation Charges	<u>25,000</u>
	<u>5,45,000</u>

(iii)

Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2017 Oct 1	Machinery A/c Input CGST A/c Input SGST A/c To Bank A/c (Being Machinery purchased)	Dr. Dr. Dr.	5,00,000 30,000 30,000	5,60,000
	Machinery A/c To Bank A/c (Being carriage and installation charges paid)	Dr.	45,000	45,000

Commonly Made Errors

For the amount paid to vendor of machine students add carriage expenses and installation charges in the purchase price.

For the amount to be debited to Machinery Account students must add /CGST and SGST also.

Answering Tips

Only the purchase price inclusive of CGST and SGST is paid to the vendor.

CGST and SGST are not added to purchase price of Machinery two are shown separately.

Question 27.

Which GST is levied on the supply?

Explain the accounting treatment of GST. [6]

Answer:

(i) (a) CGST (Central GST) and SGST (State GST) is levied on intra state (within state) supply of goods and/or services, where both the seller and purchase are located in the same state.

(b) IGST (Integrated GST) is levied on inter state supply of goods and/or services, e.g., if the seller is located in Delhi and the purchaser is located in Bihar, IGST will be levied.

(ii)

GST paid (Input GST) is treated as asset till it is set off against GST collected (output GST).

In case, where GST paid is not allowed to be set off against output GST, it is accounted as cost.

GST collected (output GST) is payable to government after setting it off against GST paid. Hence, it is a liability.

Commonly Made Error

Most of the students are not able to explain the accounting treatment of GST.

Answering Tip

A proper reading is required to understand the accounting treatment of GST

Question 28.

Pass the necessary journal entries to rectify the following errors :

A credit purchase of ₹ 560 from Raja was recorded as ₹ 650.

A credit purchase of ₹ 560 from J.S. was recorded as purchase from Priyanka.

A credit purchase of ₹ 560 from Priya was recorded in the Sales Book.

A Bills Receivable of ₹ 500 received from Raja was treated as a Bills Payable.

A credit sale of old furniture to Sheetal for ₹ 560 was entered in the Sales Book for ₹ 650.

A cash purchase of ₹ 560 from Mukesh was recorded as ₹ 650. [8]

OR

Pass the necessary journal entries to rectify the following errors:

A cheque of ₹ 10,000 received from Arvind was dishonoured and has been posted to the debit of Sales Returns A/c.

Salary paid ₹ 2,000 was debited to Employee's Personal A/c.

A cash sale for ₹ 500 to Savita was posted to the credit of Kavita.

An amount of ₹ 5,000 withdrawn by proprietor for his personal use has been charged to Expenses A/c.

A credit sale of ₹ 1,500 to Jalpreet was posted to Harjeefs A/c.

A credit purchase of Machinery from Shravan for ₹ 3,000 was debited to Purchases A/c. [8]

Answer:

In the Books of
Rectifying Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit amount (₹)
(i)	Raja Dr. To Purchases A/c (Being credit purchase of ₹ 560 recorded as ₹ 650, now rectified)		90	90
(ii)	Priyanka Dr. To J.S. (Being credit purchase of ₹ 560 from J.S. recorded as purchase from Priyanka, now rectified)		560	560
(iii)	Purchases A/c Dr. Sales A/c Dr. To Priya (Being credit purchase of ₹ 560 from Priya wrongly recorded in Sales Book, now rectified)		560 560	1,120
(iv)	Bills Receivable A/c Dr. Bills Payable A/c Dr. To Raja (being bills receivable of ₹ 500 received from Raja wrongly treated as bills payable, now rectified)		500 500	1,000
(v)	Sales A/c Dr. To Sheetal A/c To Furniture A/c (Being credit sale of furniture to Sheetal for ₹ 560 wrongly entered in the sales book as ₹ 650, now rectified)		650	90 560
(vi)	Mukesh A/c Dr. To Purchases A/c (Being cash purchase of ₹ 560 from Mukesh wrongly recorded as ₹ 650, now rectified)		90	90

OR

In the books of
Rectified Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Arvind Dr. To Sales Returns A/c (Being cheque received from Arvind dishonoured, wrongly debited to Sales Returns Account, now rectified)		10,000	10,000
(ii)	Salary A/c Dr. To Employee's Personal A/c (Being salary paid wrongly debited to employee's personal account, now rectified)		2,000	2,000
(iii)	Kavita Dr. To Sales A/c (Being cash sale of ₹ 500 to Savita wrongly credited to Kavita, now rectified)		500	500
(iv)	Drawings A/c Dr. To Expenses A/c (Being an amount of ₹ 5,000 withdrawn by proprietor for personal use wrongly charged to expenses account, now rectified)		5,000	5,000
(v)	Jalpreet Dr. To Harjeet (Being credit sale of ₹ 1,500 to Jalpreet wrongly posted to Harjeet, now rectified)		1,500	1,500
(vi)	Machinery A/c Dr. To Purchases A/c (Being credit purchases of Machinery from Shravan wrongly debited to Purchases Account, now rectified)		3,000	3,000

Part-B [24 Marks]

Financial Accounting-II

Question 29.

Income statement consist of and [1]

Answer:

Trading Account, profit & Loss A/c

Explanation: Final accounts of a business contain two statements income statement and positional statement. Income statement contains two accounts. Trading A/c and profit & Loss A/c.

Question 30.

Cost of Goods sold = opening stock + Net purchase + Expenses - Closing Stock

(A) Direct

(B) Indirect

(C) Opening

(D) None of These [1]

Answer:

(A) Direct

Explanation: Cost of Goods sold refers to the cost involved in the manufacturing of Goods to be sold. So it includes direct expenses which are directly associated with the manufacturing of goods.

Question 31.

Trading account shows profit [1]

Answer:

Gross

Question 32.

Income statement consists of :

(A) Trading Account

(B) Trial Balance

(C) Balance Sheet

(D) All the above [1]

Answer:

(A) Trading Account

Question 33.

Gross Profit is :

(A) Excess of income over Expenditure

(B) Excess of sales over purchases

(C) Excess of sales and stock over purchases

(D) Excess of sales over cost of goods sold [1]

Answer:

(D) Excess of sales over cost of goods sold

Question 34.

Give one advantage of balance sheet. [1]

Answer:

It is helpful to know the financial position of the firm.

Question 35.

'It means the income that has been earned but not been received in current year'. Identify the adjustment started above. [1]

Answer:

Accrued Income.

Question 36.

Write a short note on Prepaid Expenses. [3]

Answer:

Prepaid Expenses: At the end of the accounting year, it is found that the benefits of some expenses have not been fully received, a portion of total benefits would be received in the next accounting year. That portion of the expense, the benefit of which will be received during the next accounting period is known as 'prepaid expenses' and should be deducted from the relevant expense in the Trading A/c, Profit & Loss Account and shown on the assets side of the Balance Sheet.

Question 37.

List any six Office and Administrative Expenses. [6]

What is a Contingent Liability? How is it shown in Final Accounts?

Answer:

(i) Expenses relating to office maintenance and general administration are included in this category.

Following are the examples of office and administrative expenses:

Salaries or Office Salaries or Salaries and Wages

Establishment Expenses

Rent, Rates and Taxes

Printing and Stationery

Postage, Telegram and Courier Charges

Telephone Expenses

Insurance Premium

Newspaper and Magazines

Audit Fees

General Expenses

Lighting or Office Lighting

Sundry or Miscellaneous Expenses. (Any six)

(ii) There are some possible liabilities which are not actual liabilities on the date of Balance Sheet, but which may become real liabilities after sometime on happening of certain contingency. If that contingency happens, a liability will come into being, otherwise not. Such possible liabilities are termed as 'Contingent Liabilities'. The contingent liabilities are mentioned only by way of foot-notes in Balance Sheet.

Question 38.

Prepare a Trading and Profit & Loss Account for the year ended 31st March, 2015 from the balances extracted from M/s Harikrishan. Also prepare a Balance Sheet at the end of the year.

Account title	Amount (₹)	Account title	Amount (₹)
Cash-in-Hand	1,080	Sales	1,97,560
Cash at Bank	5,260	Returns Outward	1,000
Purchases	81,350	Capital	1,24,000
Returns Inward	1,360	Sundry Creditors	12,600
Wages	16,960	Rent Received	18,000
Fuel and Power	9,460		
Carriage on Sales	6,400		
Carriage on Purchase	4,080		
Opening Stock	11,520		
Building	64,000		
Freehold Land	20,000		
Machinery	40,000		
Salaries	30,000		
Patents	15,000		
General Expenses	6,000		
Insurance	1,200		
Drawings	10,490		
Sundry Debtors	29,000		

Adjustments:

Machinery is to be depreciated @ 10% and Patents @ 20%.

Insurance includes a premium of ₹ 340 on a policy expiring on 30th September, 2015.

Salaries for the month of March 2015 amounting to ₹ 3,000 were outstanding.

Further bad debts ₹ 1,450. Provision for bad debts @ 5% on debtors.

Rent Receivable ₹ 2,000.

Closing Stock ₹ 13,600.

OR

Prepare Trading and Profit & Loss Account and Balance Sheet from the following Trial Balance and information as on 31st December, 2016:

Particulars	Debit (₹)	Credit (₹)
Stock (1 st January, 2016)	16,000	
Sales		7,00,000
Purchases	3,00,000	
Wages	40,000	
Rent and Rates	30,000	
Salaries	46,000	
Insurance	15,000	
Machinery	72,000	
Building	11,50,000	
Capital less Drawing		6,00,000
Sundry Debtors	65,000	
Sundry Creditors		32,000
Furniture	36,000	
Cash in Hand	14,400	
Bad Debts	5,000	
Bank	12,000	
General Expenses	5,000	
Secured Loan		4,78,000
Carriage Inwards	3,600	
Total	18,10,000	18,10,000

Adjustments:

Closing Stock was valued at ₹ 15,000.

Depreciation on Machinery is to be charged @ 10% p.a.

Make a provision @ 5% for Doubtful Debts.

Provide 2% discount on debtors.

Prepaid insurance ₹ 1,200.

Outstanding Salaries ₹ 11,800.

Answer:

Trading and Profit & Loss Account

Dr. for the year end 31st March, 2015 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	11,520	By Sales	1,97,560
To Purchases	81,350	<i>Less: Returns Inward</i>	<i>(1,360)</i>
<i>Less: Returns Outward</i>	<i>(1,000)</i>	By Closing Stock	13,600
To Wages	16,960		
To Fuel and Power	9,460		
To Carriage on Purchase	4,080		
To Gross Profit c/d	87,430		
	2,09,800		2,09,800
To Carriage On Sales	6,400	By Gross Profit b/d	87,430
To Salaries	30,000	By Rent	18,000
<i>Add: O/s Salary</i>	<i>3,000</i>	<i>Add: Rent Receivable</i>	<i>2,000</i>
To General Expenses	6,000		
To Insurance	1,200		
<i>:Less: Unexpired Insurance</i>	<i>(170)</i>		
To Depreciation:			
Machinery	4,000		
Patents	<u>3,000</u>		
To Bad Debts	1,450		
To Provision for Bad Debts (5% on ₹ 27,550)	1,378		
To Net Profit Transferred to Capital A/c	51,172		
	1,07,430		1,07,430

Balance Sheet
as at 31st March, 2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	12,600	Cash-in hand	1,080
Salary Outstanding	3,000	Cash at Bank	5,260
Capital:		Closing Stock	13,600
		Sundry Debtors	29,000
		<i>Less: Bad Debts</i>	<i>(1,450)</i>
		27,550	
		<i>Less: Provision for Bad Debts</i>	<i>(1,378)</i>
		Rent Receivable	2,000
		Unexpired Insurance	170
Balance	1,24,000	Patents	15,000
<i>Add: Net Profit</i>	<i>51,172</i>	<i>Less: Depreciation</i>	<i>(3,000)</i>
	1,75,172	Freehold Land	20,000
<i>Less: Drawing</i>	<i>(10,490)</i>	Building	64,000
		Machinery	40,000
		<i>Less: Depreciation</i>	<i>(4,000)</i>
			36,000
	1,80,282		1,80,282

OR

Trading and Profit & loss Account
for the year ended 31st December, 2016

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	16,000	By Sales	7,00,000
To Purchases	3,00,000	By Closing Stock	15,000
To Wages	40,000		
To Carriage Inward	3,600		
To Gross Profit c/d	3,55,400		
	7,15,000		7,15,000
To Depreciation on Machinery	7,200	By Gross Profit b/d	3,55,400
To Salaries	46,000		
Add: O/s Salary	<u>11,800</u>		
	57,800		
To Insurance	15,000		
Less: Prepaid	<u>(1,200)</u>		
	13,800		
To General Expenses	5,000		
To Rent and Rates	30,000		
To Bad Debts	5,000		
To Provision for bad Debts	3,250		
To Provision for Discount on Debtors	1,544		
To Net Profit	2,31,806		
	3,55,400		3,55,400

Balance Sheet
as at 31st December, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	6,00,000	Furniture	36,000
Add: Net Profit	<u>2,31,806</u>	Closing stock	15,000
	8,31,806	Machinery	72,000
O/s Salaries	11,800	Less: Depreciation	<u>(7,200)</u>
S. Creditors	32,000	Cash in hand	14,400
Loan	4,78,000	Prepaid Insurance	1,200
		Building	11,50,000
		Sundry Debtors	65,000
		Less: Prov. for Bad debts	<u>(3,250)</u>
		Less: Prov. for Discount	<u>(1,544)</u>
		Bank	12,000
	13,53,606		13,53,606