

Solution :

Dr. Trading and Profit and Loss Account of Mr. Z for the year ending March 31, 2012

	₹	₹		₹	₹
To Stock, opening		55,000	By Sales		5,73,000
To Purchases		4,48,900	By Stock, closing		68,000
To Gross Profit <i>c/d</i>		1,38,600	By Goods on Approval		1,500
		6,42,500			6,42,500
To Salaries & Wages		33,000	By Gross Profit <i>b/d</i>		1,38,600
To Discount		4,750	By Discount		4,400
To Audit Fees		5,000	By Bad Debts recovered	250	
To Office Expenses		22,000	<i>Add</i> : Existing Provision	1,000	
To Repairs & Renewals		11,800			
To Interest		700		1,250	
To Depreciation on :			<i>Less</i> : Provision Required	400	850
Buildings	1,000				
Machinery, Plant and Furniture	10,000	11,000	By Interest on Government Loan Accrued		900
To Net Profit transferred to Capital Account		65,250	By Excess Depreciation provided in 1999-2000		8,750
		1,53,500			1,53,500

Balance Sheet of Mr. Z as on March 31, 2012

Liabilities	₹	₹	Assets	₹	₹
Bills Payable		10,000	<i>Fixed Assets</i> :		
Trade Creditors		30,900	Buildings	50,000	
General Reserve		25,000	<i>Less</i> : Depreciation	1,000	49,000
Capital	1,50,000		Machinery, Plant & Furniture (Cost)	1,25,000	
<i>Add</i> : Profit: Balance on 1.4.2000	5,450		<i>Less</i> : Depreciation written off	51,250	73,750
Current years' Profit	65,250	2,20,700	<i>Investments</i> :		
			Investment, 9% Govt. Loan (at par)	10,000	
			<i>Add</i> : Interest Accrued	900	10,900
			<i>Current Assets</i> :		
			Stock (including ₹ 1,500 out on approval)		69,500
			Sundry Debtors	34,400	
			<i>Less</i> : Provision for Bad & Doubtful Debts	400	34,000
			Bills Receivable		22,500
			Cash at Bank		24,400
			Suspense Account		2,550
		2,86,600			2,86,600

Notes:

- (1) Since the stock includes goods received, vouchers for which were not received so far, the concerned amount has been added to Trade Creditors, as property in the goods has passed to Z.
- (2) Sales and Book Debts have been reduced by ₹ 2,000, the value of the invoices to the customers for goods sent on approval as the title of the goods remains with Z. The cost of the goods ₹ 1,500 has been included in closing stock.

(3) The trial balance shows a difference (debit) of ₹ 2,550 which has been transferred to Suspense Account.

	₹
(4) Book value of Machinery, Plant and Furniture etc. on 1-4-2011	75,000
Add : Depreciation for one year ended	
31st March, 2010 = ₹ 75,000 × $\frac{20}{80}$	18,750
Book value as on 1st April, 2010	<u>93,750</u>
Depreciation till 1-4-2010 (₹ 1,25,000 – ₹ 93,750)	31,250
Depreciation @ 8% on ₹ 1,25,000 for 2010-2011 and 2011-2012	<u>20,000</u>
• Depreciation provided till 31st March, 2012	51,250
Depreciation actually provided for the year ended 31st March, 2011	18,750
Depreciation to be provided now for that year	<u>10,000</u>
Depreciation to be written back	<u>8,750</u>

Problem No. 12

The following is the Trial Balance of Mr. Saktipada Sen as at 31st March, 2012. You are asked to prepare the Trading and Profit and Loss Account and Balance Sheet as on that date:—

	Dr. ₹	Cr. ₹
S. Sen's Capital Account	..	1,08,090
Stock on 1st April, 2011	.. 46,800	
Sales and Sales Returns	.. 8,600	4,49,600
Purchases and Purchases Returns	.. 3,43,100	5,800
Freight and Carriage	.. 18,600	
Rent and Taxes	.. 15,700	
Salaries and Wages	.. 39,300	
Sundry Debtors	.. 24,000	
Sundry Creditors	.. —	34,800
Bank Loan at 18 per cent	.. —	20,000
Bank Interest on above	.. 2,700	
Printing and Advertising	.. 12,800	
Income from Investments	.. —	600
Cash at Bank	.. 8,000	
Discount Receivable	.. —	3,840
Investments	.. 5,000	
Furniture and Fittings	.. 21,800	
Discounts Payable	.. 7,540	
General Expenses	.. 3,910	
Audit Fees	.. 3,700	
Insurance	.. 2,600	
Travelling Expenses	.. 2,330	
Postage and Telegrams	.. 870	
Cash in Hand	.. 5,380	
Deposit with Mr. B.K. Ray	.. 30,000	
Drawings Account	.. 20,000	
Total	<u>6,22,730</u>	<u>6,22,730</u>

Stock on 31st March, 2012 was ₹ 78,600. Make the following adjustments :

- Included amongst the debtors is ₹ 3,000 due from Mr. K.C. Nag and included amongst the creditors is ₹ 1,000 due to Mr. Nag.
- The effect of advertising being not yet expired, a quarter of the amount of "Printing and Advertising" is to be carried forward to the next year.
- Provide 2 per cent for Discount on Debtors and create a Bad Debt Provision at 5 per cent.
- Depreciation of 10 per cent is to be written off Furniture and Fittings.
- Wages owing on 31st March, 2012 ₹ 1,100, Salaries owing ₹ 2,500, and Carriage owing ₹ 300.

- (f) Insurance paid in advance on 31st March, 2012 ₹ 80.
 (g) Furniture which stood at ₹ 6,000 in the books on 1st April, 2011 was disposed of at ₹ 2,900 on 30th September, 2011 in part exchange for a new furniture costing ₹ 5,200. A net invoice for ₹ 2,300 was passed through Purchases Day Book.
 (h) Invoices amounting to ₹ 2,000 had been omitted from the books.
 (i) A neon sign costing ₹ 1,000 is included in advertising.
 (j) Two dishonoured cheques for ₹ 200 and ₹ 300 respectively had not been entered in the Cash Book. The first for ₹ 200 is known to be bad. In the case of the second cheque for ₹ 300, it is expected that the Debtor would be in a position to pay a dividend of 75 paise in the rupee.
 (k) Private purchases amounting to ₹ 600 had been included in the Purchases Day Book.
 (l) Charge full year's interest on Deposit with Mr B.K. Ray at 18 per cent per annum.
 (m) Provide for interest on Bank Loan for the whole year.

Solution :

Dr. Trading and Profit and Loss Account of Mr. Salstipada Sen for the year ending March 31, 2012 Cr.

	₹	₹		₹	₹
To Opening Stock		46,800	By Sales	4,49,600	
To Purchases [W.N. (i)]	3,42,200		Less : Sales Returns	8,600	4,41,000
Less : Purchases Returns	5,800	3,36,400	By Closing Stock		78,600
To Freight & Carriage	18,600				
Add : Carriage Outstanding	300	18,900			
To Gross Profit <i>c/d</i>		1,17,500			
		5,19,600			5,19,600
To Rent and Taxes		15,700	By Gross Profit <i>b/d</i>		1,17,500
To Salaries and Wages	39,300		By Income from Investments		600
Add : Salaries and Wages Outstanding	3,600	42,900	By Discount Receivable		3,840
To Interest on Bank Loan	2,700		By Interest Accrued on Deposit with Mr. B.K. Ray		5,400
Add : Interest Outstanding	900	3,600			
To Printing and Advertising	12,800				
Less : Cost of Neon Sign	1,000				
	11,800				
Less : Advertising Unexpired (Quarter of ₹ 11,800)	2,950	8,850			
To Discount Payable	7,540				
Add : Provision for Discount on Debtors [W.N. (v)]	437	7,977			
To General Expenses		3,910			
To Audit Fees		3,700			
To Insurance	2,600				
Less : Insurance Prepaid	80	2,520			
To Travelling Expenses		2,330			
To Postage & Telegrams		870			
To Depreciation on Furniture & Fittings @ 10%		2,190			
To Loss on Sale of Furniture [W.N. (iv)]		2,800			
To Bad Debts	275				
Add : Provision for Bad Debts [W.N. (v)]	1,150	1,425			
To Net Profit transferred to Capital Account		28,568			
		1,27,340			1,27,340

Balance Sheet of Mr. Saktipada Sen as on 31st March, 2012

Liabilities	₹	₹	Assets	₹	₹
Sundry Creditors [Working Note (ii)]		35,800	Fixed Assets : Furniture & Fittings [Working Note (vi)]	22,000	
Wages Outstanding		1,100	Less : Depreciation [Working Note (vii)]	1,890	20,110
Salaries Outstanding		2,500	Investments		5,000
Carriage Outstanding		300	Current Assets : Stock		78,600
Bank Loan	20,000		Sundry Debtors [Working Note (iii)]	23,225	
Add : Interest Outstanding	900	20,900	Less : Provision for Bad Debts [Working Note (v)]	1,150	
Capital Account	1,08,090		Less : Provision for Discount on Debtors [Working Note (v)]	437	21,638
Less : Drawings (₹ 20,000 + ₹ 600)	20,600		Deposit with Mr. B.K. Ray	30,000	
	87,490		Add : Interest Accrued	5,400	35,400
Add : Net Profit for the year	28,568	1,16,058	Advertising Unexpired Insurance Prepaid		2,950 80
			Cash at Bank [Working Note (viii)]		7,500
			Cash in hand		5,380
		1,76,658			1,76,658

Working Notes :

(i) Correct Purchases :

Amount as given in the trial balance		3,43,100
Add : Amount of omitted invoices		2,000
		<u>3,45,100</u>

Less : Furniture treated as purchases	2,300	
Private purchases	600	2,900
		<u>3,42,200</u>

(ii) Correct Sundry Creditors :

Amount as given in the trial balance		34,800
Less : Amount due to Mr. Nag		1,000
		<u>33,800</u>
Add : Omitted invoices		2,000
		<u>35,800</u>

(iii) Calculation of Sundry Debtors :

Amount as given in the trial balance		24,000
Less : Amount due from Mr. Nag		1,000
		<u>23,000</u>
Add : Dishonoured cheques		500
		<u>23,500</u>
Less : Bad Debts connected with dishonoured cheques		275
		<u>23,225</u>

(iv) Book value of Furniture disposed of during the year, as on 1st April, 2011	₹ 6,000
Less : Depreciation @ 10% per annum for six months on the assumption that Furniture was sold in the middle of the year	 300
Book value on the date of sale	5,700
Less : Sale proceeds	2,900
Loss on sale of furniture	<u>2,800</u>
(v) Sundry Debtors as calculated in (iii) above	23,225
Less : Recoverable portion of dishonoured cheque of ₹ 300 after writing off ₹ 75 as bad	 225
	<u>23,000</u>
Provision for Bad Debts = 5% of ₹ 23,000 = ₹ 1,150 Provision for Discount on Debtors will be created only on ₹ 23,000—₹ 1,150 = ₹ 21,850 because discount is not allowed to insolvent parties. Thus, Provision for Discount on Debtors = 2% of ₹ 21,850 = ₹ 437.	
(vi) Furniture & Fittings as per trial balance	21,800
Add : Neon Sign	1,000
Furniture purchased on sale of old furniture	5,200
	<u>28,000</u>
Less : Furniture sold	6,000
	<u>22,000</u>
(vii) Depreciation on Furniture & Fittings in the use on 31st March, 2012 @ 10% per annum :—	
On neon sign, ₹ 1,000 for 6 months	50
On ₹ 5,200 for 6 months	260
On ₹ 15,800 for full year	1,580
	<u>1,890</u>
(viii) Cash at Bank as per trial balance	8,000
Less : Dishonoured cheques = ₹ 200 + ₹ 300	500
	<u>7,500</u>

Problem No. 13

The following is the Balance Sheet of a person as at 1st April, 2011 :

Sundry Creditors	₹ 34,500	Land and Buildings	₹ 76,000
Bills Payable	25,200	Plant and Machinery	55,000
Capital Account	2,00,300	Sundry Debtors	28,000
		Investments in Bonds, at par	15,000
		Stock in trade	68,500
		Cash in hand	1,500
		Cash at Bank	16,000
	<u>2,60,000</u>		<u>2,60,000</u>

Profit and Loss Account for the year ending 31st March, 2012, disclosed a net profit of ₹ 39,540. In arriving at the figure, the following adjustments have not been made :—

- (a) Buildings, Plant and Machinery were insured against fire on 1st October, 2011 for one year up to 30th September, 2012 at a premium of ₹ 920. The whole of this amount has been debited to Profit and Loss Account;

- (b) Interest on investment at 10 per cent per annum has been received up to 30th September, 2011. No adjustment had been made for the accrued interest after that date;
- (c) Salary of staff for March, 2012 amounting to ₹ 3,000 was paid in April, 2012 but no adjustment for this was made in the accounts.

The above necessary adjustments are now to be made. In calculating the above figure of ₹ 39,540 for net profits, the following had been taken into consideration :—

- (a) Interest on Capital at 10 per cent per annum ;
- (b) Depreciation on (i) Land and Building @ 2 per cent and (ii) on Plant and Machinery at 11 per cent per annum.
- (c) ₹ 7,000 allocated to General Reserve;
- (d) Bad Debts Provision at 5 per cent on Sundry Debtors.

On 31st March, 2012 :—

- (a) Sundry Debtors amounted to ₹ 40,000;
- (b) Stock in trade amounted to ₹ 89,000;
- (c) Sundry Creditors and Bills Payable amounted to ₹ 22,300 and ₹ 6,000 respectively;
- (d) Cash in hand amounted to ₹ 740 and Cash at bank ₹ 29,000;
- (e) There was no addition to or sale from Plant and Machinery or Land and Building.

Prepare the Balance Sheet of the person as at 31st March, 2012.

Solution :

Balance Sheet as on March 31, 2012

Liabilities	₹		Assets	₹	
Bills Payable		6,000	Fixed Assets :		
Sundry Creditors		22,300	Land & Buildings	76,000	
Salary Outstanding		3,000	Less : Depreciation @ 2%	1,520	74,480
General Reserve		7,000	Plant & Machinery	55,000	
Capital Account	2,00,300		Less : Depreciation @ 11%	6,050	48,950
Add : Interest on Capital	20,030		Investment :	15,000	
Net Profit	37,750	2,58,080	Add : Interest Accrued on Investment	750	15,750
			Current Assets :		
			Stock in trade		89,000
			Sundry Debtors	40,000	
			Less : Provision for Bad Debts @ 5%	2,000	38,000
			Unexpired Insurance		460
			Cash at Bank		29,000
			Cash in hand		740
		2,96,380			2,96,380

Working Notes :

Calculation of correct net profit :	₹
Profit, as given	39,540
Add : Unexpired Insurance	460
Interest Accrued on Investments	750
	<u>40,750</u>
Less : Outstanding Salaries	3,000
	<u>37,750</u>

Problem No. 14

On March 31, 2012 the Trial Balance of the Ideal Theatre owned by A. Showman was as follows :—

	Dr. ₹	Cr. ₹
A. Showroom—Capital		55,000
A. Showroom—Drawings	10,000	
Leasehold Premises—Cost	22,000	
Theatre Fixtures, Fittings and Furniture—Cost	15,000	
Buffet Stock March 31, 2011	1,500	
Buffet Purchases	14,000	
Buffet Wages	15,000	
Buffet Takings		38,000
Wardrobe	20,000	
Wardrobe Sundry Sales and Hire		6,000
Bank	19,000	
Cash in hand	6,000	
Staff Wages—not apportioned to productions	18,000	
Income-Tax Deductions		400
General Office Expenses and Insurance	5,000	
Ground Rent, Rates and Water	2,500	
Programme Printing	6,500	
Programme Advertising		3,000
Programme Sales		16,000
Loans to Players	2,000	
Expenditure on Forthcoming Productions	7,500	
Repairs and Renewals	1,800	
Royalties and Performing Rights	2,000	
Tickets, Vouchers, etc.	200	
Weekly Theatre Profit and Loss Accounts :		
Profits less losses on plays performed		36,700
Unpresented Vouchers		11,000
Broadcasting		100
Cloak Room Receipt		1,800
	1,68,000	1,68,000

On March 31, 2012, the buffet stock amounted to ₹ 2,000 and the wardrobe was valued at ₹ 10,000. Adjustments are required for the following :—

- (1) ₹ 6,000 of the unapportioned staff wages is applicable to programme sellers.
- (2) Royalties paid include ₹ 800 in respect of forthcoming productions.
- (3) Programme advertising includes ₹ 700 in advance.
- (4) Amounts owing :—

Programme printing	₹	200
Printing of tickets and vouchers	₹	400
Audit fee	₹	2,000

It was decided :—

- (5) to write off old vouchers which would never be presented, amounting to ₹ 3,000;
- (6) to write off ₹ 2,000 from the leasehold premises and ₹ 5,000 from fittings and furniture;
- (7) to make a provision for doubtful debts of 50 per cent on loans to players.

You are required to prepare—

- (a) the Profit and Loss Account for the year ending March 31, 2012 in a form to disclose also the profit on programme and on buffet, and
- (b) a Balance Sheet as on that date.

Solution :

Dr. **Trading and Profit and Loss Account of Mr. A. Showman for the year ending March 31, 2012** *Cr.*

	Prog- rammes		Buffet		Prog- rammes		Buffet	
	₹	₹	₹	₹	₹	₹	₹	
To Stock			1,500				38,000	
To Purchases			14,000		3,000	16,000		
					By Sales			
					By Advertising			

(Contd.)