



## Introduction

A Single-entry bookkeeping system or Single-entry accounting system is a method of book-keeping relying on a one sided accounting entry to maintain financial information. Most businesses maintain a record of all transactions based on the Double-entry bookkeeping system. However, many small, simple businesses maintain only a Single-entry system that records the “Bare-essentials.” In some cases only records of cash, accounts receivable, accounts payable and taxes paid may be maintained. Records of assets, inventory, expenses, revenues and other elements usually considered essential in an accounting system may not be kept, except in memorandum form. Single-entry systems are usually inadequate except where operations are especially simple and the volume of activity is low. This type of accounting system with additional information can typically be compiled into an income statement and balance sheet by a professional accountant.

The single-entry system is really no system at all for keeping accounts. Under this system only such accounts are kept as seem to be absolutely necessary. Usually the accounts that are kept are those relating to cash, credit customers and creditors. One may not find accounts relating to fixed assets, purchases, sales expenses are recorded at all some transaction are recorded only in one of their aspect while for some others both the aspect are recorded goods sold on credit will be recorded only in the account of the customer concerned. Cash received from him will be recorded both in the cash account and in the account of the customer. Purchase of machinery on credit will not be recorded at all till payment is made.

This system of recording transaction is very defective. No trail balance can be taken out and hence accuracy of books cannot be proved. Chances of mischief or fraud remaining undetected are high. Trading and profit and loss account cannot be prepared and hence the proprietor will have no firm idea of profit earned or loss suffered. Balance sheet called statement of affairs here, is prepared in

an unsatisfactory manner, the assets and liabilities are not proved from records but are put down by physical inspection and on estimated basis. In spite of all the defects the system is quite popular with small firms which cannot afford to spend money on proper accounting.

## Definition

According to R,N, Carter, "Single-entry cannot be termed as a system, as it is not based on any scientific system, like double entry system. For this purpose, single-entry is not-a-days known as preparation of account from incomplete records".

### Advantages

1. **Single-entry Systems are used in the Interest of Simplicity:** They are usually less expensive to maintain than double-entry systems because they do not require the services of a trained person.
2. **According to the U.S. Internal Revenue Service:** "A single-entry system is based on the income statement (profit or loss statement). It can be a simple and practical system if you are starting a small business. The system records the flow of income and expenses through the use of:
  - (a) A daily summary of cash receipts, and
  - (b) Monthly summaries of cash receipts and disbursements (Irs Publication 583: Starting a Business and Keeping Records, 2007)
3. Additionally, in the Internal Revenue Manual 4.10.3.13.2 (03-01-2003), it is stated:'. The single-entry system of recordkeeping does not include equal debits and credits to the balance sheet and income statement accounts. A single-entry accounting system is not self-balancing. Mathematical errors in the account totals are thus common. Reconciliation of the books and records to the return is an important audit step.
4. A single-entry system may consist only of transactions posted in a notebook, daybook, or journal. However, it may include a complete set of journals and a ledger providing accounts for all important items.
5. A single-entry system for a small business might include a business checkbook, check disbursements journal or register, daily/monthly summaries of cash receipts, a depreciation schedule, employee wages records, and ledgers showing debtor and creditor balances.
6. Single-entry system is simple to understand and easy to maintain as it has no fixed set of principles to follow while recording financial transactions.
7. Single-entry system is an economical system of recording financial transactions. It does not require hiring skilled accounting personnel to record financial transactions of the business. Further, it does not require large number of books to record the limited number of financial transactions.
8. Under single-entry system, the amount of profit can be determined easily. The amount of profit or loss of the period can be determined by making comparison between the amounts of closing capital and opening capital.

9. The Single-entry system is simple, easy, and economical system. It is suitable for small businesses because they cannot afford the cost of double entry system. Besides, small businesses are not required to maintain their books of accounts under double entry system.

**Disadvantages**

1. Data may not be available to management for effectively planning and controlling the business.
2. Lack of systematic and precise bookkeeping may lead to inefficient administration and reduced control over the affairs of the business.
3. Single-entry records do not provide a check against clerical error, as does a double-entry system. This is one of the most serious defects of single-entry systems.
4. Single-entry records seldom make provision for recording all transactions. In addition, many internal transactions, such as adjusting entries are often not recorded.
5. Because no accounts are provided for many of the items appearing in both the Income Statement and Balance Sheet, omission of important data is possible.
6. In the absence of detailed records of all assets, lax administration of those assets may occur.
7. Theft and other losses are less likely to be detected.
8. The single-entry system is unsystematic and unscientific system of recording financial transactions. It does not have any set of fixed rules and principles for recording and reporting the financial transactions.
9. Single-entry system is incomplete system because it does not record the two aspects or accounts of all the financial transactions of the business. It does not maintain any record of the transactions relating to the nominal account and real account except cash account.
10. Single-entry system is not based on the principles of debit and credit. It fails to provide the arithmetical accuracy of the books of accounts. Trial balance cannot be prepared under this system to check the arithmetical accuracy of books of accounts.
11. Under single-entry system, the true amount of profit or loss cannot be ascertained because it does not maintain the nominal accounts.
12. The single-entry system does not maintain real accounts except cash book. Therefore, it cannot reveal the true financial position of the business.
13. The single-entry system of book-keeping is incomplete, inaccurate and unscientific. It does not help to check the arithmetical accuracy of the books of accounts. Therefore, there is always a possibility of committing frauds and errors in the books of accounts.
14. The single-entry of book keeping has incomplete records of the financial transactions of the business. Hence, the tax office cannot accept the account maintained under this system for the purpose of assessment of tax.

### Difference between Double Entry and Single-entry Systems

Sr. No	Basis of Difference	Double Entry System	Single-entry System
1.	Recording of Transaction In some cases	Both aspects of all transactions are recorded no aspect is recorded	Both aspects, in some others a single aspect or
2.	Opening of Accounts	All personal, real and nominal accounts are opened.	Only personal accounts and cash account are opened
3.	Preparation of Trial Balance	Trial Balance can be prepared	Trial Balance cannot be prepared
4.	Ascertaining Profit or Loss	Account profit or loss can be found, through trading and profit and loss A/c	Profit or loss cannot be found normally, in the absence or Trading and Profit and loss A/c
5.	Revealing Financial Position	Reliable Financial position can be found through Balance Sheet	Balance sheet cannot be prepared. So financial position is difficult to ascertain.
6.	Acceptability raising of bank loans etc.	Acceptable for Income tax and other tax purposes, for	Not acceptable for taxation claims, raising of loans.
7.	Acceptable Evidence be produced in courts of law.	In case of disputes, accounting records can	The Accounting records are not acceptable evidence.
8.	Utility	Suitable for any type of business of any size  over the business.	It can be followed by small business men who can exercise personal control
9.	Internal Check	Internal check is possible	Internal check is not possible.

The single-entry System is really no system at all for keeping accounts. Under this system, only such accounts are kept as seem to be absolutely necessary. Usually the accounts that are kept are those relating to cash, credit customers and creditors. One may not find accounts relating to fixed assets, purchases, sales, expenses, incomes, etc. thus one may find that some transactions are not recorded at all, some transactions are recorded only in one of their aspects while, for some others, both the aspects are recorded. Goods sold on credit will be recorded only in the account of the customer concerned. Cash received from him will be recorded both in the Cash Account and in the account of the customer. Purchase of machinery on credit will not be recorded at all till payment is made.

This system of recording transactions is very defective. No trial balance can be taken out and hence accuracy of books cannot be proved. Chances of mischief of fraud remaining undetected are high. Trading and profit and loss Account cannot be prepared and, hence, the proprietor will have no firm idea of profit earned or loss suffered. Balance sheet, called statement of affairs here, is prepared

in an unsatisfactory manner. The assets and liabilities are one proved from records but are put down by physical inspection and on estimated basis. In spite of all the defects, the system is quite popular with small firms which cannot afford to spend money on proper accounting.

### 1. Net Worth Method

Ascertaining profits or loss. Under this method, profit or loss is ascertained on a common sense basis. If Y starts a business with a capital of ` 10,000 and finds that his capital at the end of the year is ` 14,000, he is entitled to believe that he made a profit of ` 4,000 during the year. Capital normally grows on account of profit. This is subject to two things. If Y brought in a further ` 1,500 as capital, the profit must have been only ` 2,500 i.e., ` 4,000 minus ` 1,500. But if Y took ` 250 every month for domestic use, he must have taken ` 3,000 in all. Had he not withdrawn this sum, his capital at the end would have been ` 17,000 and, therefore, his profit should be increased by ` 3,000. his profit comes to ` 5,500. Therefore, to ascertain profit under the single-entry system:

Take capital at the end, add drawings, deduct fresh capital introduced during the year and deduct capital in the beginning.

Capital at any date can always be ascertained by deducting liabilities from assets.

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

#### Statement of Affairs as on

Liabilities	Amt. `	Assets	Amt. `
Income Received in Advance	xx	Cash in Hand	xx
Sundry Creditors	xx	Cash at bank	xx
Bills Payable	xx	sundry debtors	xx
Outstanding Expenses	xx	bills Receivable	xx
Bank O/D	xx	Stock in trade	xx
Capital		prepaid expenses	xx
(Bal Fig.)		Investment	xx
		goodwill	xx
		Land and Building	xx
		Plant and Machinery	xx
		Furniture	xx
		Vehicles	xx
		Patents and Copy rights	xx
	<b>xx</b>		<b>xx</b>

### Difference Between Statements of Affairs and Balance Sheet

Statements of Affairs	Balance Sheet
1. It is prepared on the basis of available records.	It is prepared on the basis of ledger balance
2. It is prepared under single-entry System.	It is prepared under Double Entry System.
3. Value of assets and liabilities are estimates except the few items.	Value of assets and liabilities are not estimates.
4. Value of assets will not be equal to liabilities since the balancing figure represents capital.	Value of assets will equal to liabilities and capital.
5. Since the two sides of a statement of affairs do not tally, arithmetical accuracy of accounting records cannot be proved.	Since the two sides of a Balance sheet tally, arithmetical accuracy of accounting records is proved.
6. It is difficult to trace omission of an asset or a liability.	It is easy to trace omission of an asset or a liability.
7. It is prepared to ascertain financial position and also the trading result of a business.	It is easy prepared to ascertain the financial position of a business.

### Ascertainment of Profit or Estimation of Profit

Preparing the two statements of affairs, and ascertaining capitals at the beginning and at the end, the two capital balance are compared and the difference is noted. If the closing capital is more than the opening capital it cannot be stated that the difference is profit or vice versa, because the difference may be due to the following reasons:

1. There may be additions to capital i.e. fresh capital might have been brought resulting into increased capital at the end.
2. There may be drawing during the year resulting into reduction in capital at the end.
3. There may be goods taken by the proprietor for his own use.
4. Some goods or assets might have been brought into business during the year by the proprietor. Therefor, adjustment will have to be made in respect of the above items and the capitals ascertained. It may be done in the following manner.

There might be instances where depreciation on assets may not have been charged in which case further adjustment in respect of depreciation will have to be made.

Alternative instead of statement, prepare capital A/c as follows:

#### Capital A/c

	Amt. `		Amt. `
To Cash/Bank/Goods (Drawing)	xx	By Balance b/3 (per S/A at beginning)	xx
To Balance c/d (Per S/A closing)	xx	By cash /Bank	xx
		By Net Profit (Bal. Fig.)	xx
	<b>xx</b>		<b>xx</b>

If the problem requires ascertainment of Trading Profit, the following additional statements is to be prepared.

	`
Net Profit (as above) as per Capital A/c	x x
<i>Less:</i> Income not related to trade e.g. Interest, Rent, Dividend, Commission	
Profit on sale of Asset	x x
<i>Add:</i> Expenses not related to business Interest on Capital Salary to Capital/Proprietor	x x
Net Profit	x x

#### Procedure of Calculation of Profit

1. Prepare a statement of affairs for ascertainment of the amount of capital in the beginning of the year.
2. Prepare statement of affairs as at the end of the year for ascertaining the amount of the capital of the end of the year.
3. Add amount withdrawn during the year either by cash or by way of goods, to capital at the end.
4. Deduct from capital at the end of the year. The amount of capital introduced during the year and also assets brought in by the owner during the year.
5. Deduct capital at the beginning of the year from the capital, adjusted capital per (4) above. The difference will be either profit or less.

#### Model Statement of Profit/Loss Statement of Profit or Loss

	`
Capital at the end of the year	xx
<i>Add:</i> Drawing made during the year in cash and goods	xx
	xx
<i>Less:</i> Additional capital introduced whether cash or in kind	xx
	xx
<i>Less:</i> Capital at the beginning	xx
Profit	xx

## Difference between Statements of Profit and Profit &amp; Loss A/c

Statements of Profit or Losses	Profit and Loss A/c
1. It is a statement.	It is account.
2. It is prepared under from Single Entry System.	It is prepared under Double Entry System.
3. It is prepared party from ledger and party from estimates.	It is prepared from ledger only.
4. The net profit or loss as per this statement is approximate.	The net profit or loss as per this account is accurate.
5. It considers opening and closing capitals for the ascertainment of net profit or loss.	It considers purchases, sales, expenses and incomes for the ascertainment of profit or loss.

**Illustration: 1**

Chandra commenced business on 1st January, 2012 with a capital of ₹ 15,000. on 1st July, 2012 he introduced a further capital of ₹ 8,000. During the year he withdrew ₹ 500 p.m. for domestic use. On 31st December, 2012 his assets and liabilities were:

Stock	21,000
Debtors	10,000
Furniture	3,500
Cash at bank	2,100
Expenses unpaid	700
Sundry creditors	8,300

**Solution**

Liabilities	₹	Assets	₹
Expenses unpaid	700	Stock	21,000
Sundry creditors	830	Sundry debtors	10,000
Caopital (balancing figure)	27,600	Furniture	3,500
		Cash at bank	2,100
	<b>36,600</b>		<b>36,600</b>

**Profit or Loss:**

Capital as on 31st December, 2012	27,600
<i>Add:</i> drawings	6,000
	<b>33,600</b>
<i>Less:</i> fresh capital introduced	8,000
	<b>25,600</b>

<i>Less:</i> capital on 1st Jan, 2012	15,000
Net profit	<b>10,600</b>

**Illustration: 2**

Mr. Ram keeps his books by single-entry. He gives you the following information from which he requires you to ascertain his profit or loss during the year ended 2012:

	1 <sup>st</sup> Jan 2012	31 <sup>st</sup> Dec 2012
Bank Balance	740 Cr.	400 Dr.
Cash in hand	-	10
Sundry debtors	5,100	8,800
Sundry creditors	1,300	1,950
Stock	1,700	1,900
Plant	2,000	2,000
Furniture	140	140

Ram had withdrawn ₹ 250 p.m. during the year but had introduced fresh capital of ₹ 600 on 1<sup>st</sup> July, 2012. A provision of 5% on Sundry Debtors is necessary. Write off depreciation on plant at the rate of 5%. Interest on capital is to be allowed @ 5% p.a.

**Solution****Mr. Ram's Statement of Affair**

	1.1.2012			31.12.2012
Plant	2000		2000	
<i>Less:</i> depreciation @5%		2000	100	1900
Furniture		140		140
Stock		1700		1900
Sundry debtors	5100		8800	
<i>Less:</i> provision @5%		5100	440	8360
Cash in hand				10
Cash in bank				400
		8940		12710
<i>Less:</i> sundry creditors	1300		1950	
Bank overdraft	740	2040		1950
Capital		<b>6900</b>		<b>10760</b>

Capital as on December 31,2012	10,760
<i>Less:</i> capital as on January 1, 2012	6,900
	3,860
<i>Add:</i> drawings	3,000
<i>Less:</i> capital introduced	6,860
Net profit before interest on capital	600
<i>Less:</i> interest on capital @5%	6,260
Profit during the year	360
	<b>5,900</b>

**Note:**

Interest on capital:

On ` 6,900 @5% for full year	345
On ` 600 @5% for 6 months	15
	360

**Illustration: 3**

Shah and Rao are partners' sharing profits and losses in the ratio of 3:2 after charging interest on capital @ 6% p.a. interest on drawings is signed. On 1st July, 2011 their position was as under:

Liabilities		`	Assets		`
Sundry creditors		14,300	Machinery		20,000
Capitals:			Stock		12,000
Shah	20,000		Sundry debtors		11,000
Rao	15,000	35,000	Cash at bank		4,000
			Furniture		2,000
			Prepaid insurance		300
		<b>49,300</b>			<b>49,300</b>

During the year ended 30<sup>th</sup> June, 2012 shah had drawn ` 5,000 and Rao had Drawn ` 3,500 for their private purposes. On 30<sup>th</sup> June, 2012 the assets and liabilities were:

Sundry debtors	12,000
Stock	18,000
Cash at bank	4,500
Prepaid insurance	200
Sundry creditors	13,700
Expenses owing	600

Machinery and Furniture were the same as previously but depreciation @ 10%p.a. was to be written off. Prepare statement of profit for 2011-12 and the statement of affairs as at 30th June 2012.

**Solution****Statement of Affairs as at 30<sup>th</sup> June 2012**

<b>Liabilities</b>	`	<b>Assets</b>	`
Sundry creditors	13,700	Machinery	20,000
Expenses unpaid	600	<i>Less: depreciation</i>	2,000
Combined capitals	39,600		18,000
(Balancing figure)		Stock	18,000
		Sundry debtors	12,000
		<i>Less: provisions for doubtful debts</i>	600
			11,400
		Cash at bank	4,500
		Prepaid insurance	200
		Furniture	2,000
		<i>Less: depreciation</i>	200
			1,800
	<b>53,900</b>		<b>53,900</b>

Profit or		
<i>Loss: Capital on 30<sup>th</sup> June, 2012</i>		39,600
<i>Add: Drawings:</i>		
Shah	5,000	
Rao	<u>3,500</u>	<u>8,500</u>
		48,100
<i>Less: Capitals on 1<sup>st</sup> July, 2011</i>		<u>35,000</u>
Net Profit		<u>13,100</u>

**Illustration: 4****(Calculation of Gross Profit)**

	<b>01-01-2012</b>	<b>31-12-2012</b>
Sundry Assets	4,00,000	6,50,000
Sundry Liabilities	1,20,000	1,90,000
Expenses during the year 2012		

Salary – ` 10,000; Rent ` 15,000; Depreciation ` 8,000; Bad debts ` 4,000.

During the year 1998 furniture having a book value of ` 7,000 was sold for ` 8,000. Drawings during the year were ` 9,000. Calculate Gross Profit and Net Profit.

**Solution**

**Statement Showing net Profit for the year Ended 31-12-2012**

	`
Capital as on 31-12-2012 (6,50,000 – 1,90,000)	4,60,000
<i>Add:</i> Drawings	9,000
	4,69,000
<i>Less:</i> Capital as on 01-01-2012 (4,00,000 – 1,20,000)	2,80,000
Net Profit	<b>1,89,000</b>

**Statement Showing Gross Profit for the year Ended 31-12-2012**

	`	`
Net Profit for 2012		1,86,000
<i>Add:</i> Salary	10,000	
Rent	15,000	
Depreciation	8,000	
Bad Debts	4,000	
		37,000
		2,26,000
<i>Less:</i> Profit on Sale of Furniture		1,000
Gross Profit		<b>2,25,000</b>

**Calculation of Trading Profit**

If question requires calculation of Trading Profit (profit from business), any income, expense or loss which is not connected with the operation of business should be excluded from Profit. Initially net profit should be calculated in the usual manner, than non-trading expenses/losses (loss by fire, loss on sale of assets etc.) should be added back to net profit and non-trading income (Interest on vestments) should be deducted from net profit.

**Illustration: 5**

**Calculation of Trading Profit**

Capital as on 01-4-11	` 3,00,000
Capital as on 31-3-12	` 4,80,000
Drawings during the year	` 50,000

Additional capital introduced in Sept. 11	₹ 10,000
Income from investments	₹ 2,500
Loss due to fire	₹ 1,800
Calculate net profit and trading profit.	

**Solution****Statement Showing Net Profit for the year Ended 31-3-12**

		Amount (₹)
Capital as on 31-3-12		4,80,000
Add: Drawings		50,000
		5,30,000
Less: Capital as on 1-4-11	3,00,000	
Additional capital	<u>10,000</u>	3,10,000
Net Profit		<b>2,20,000</b>

**Statement Showing Trading Profit for the year Ended 31-3-12**

Net Profit as above	2,20,000
Add: Loss due to Fire	1,800
	2,21,800
Less: Income from Investments	2,500
Trading Profits	2,19,300

**Illustration: 6****Drawings as a Percentage of Net Profit**

	1-4-11	31-3-12
Mr. Pawan had following assets and liabilities:		
Cash in Hand	5,000	6,000
Bank Balance	12,000	29,000
Stock	25,000	24,000
Sundry Debtors	10,000	18,000
Furniture	20,000	?
Equipments	30,000	?
Sundry Creditors	15,000	12,000

During the year he introduced ₹ 7,000 as additional Capital. He has withdrawn 75% of the profits earned. Depreciation on furniture and equipments is to be charged @10% p.a.

**Solution****Calculation of Capital**

	<b>1-4-11</b>	<b>31-3-12</b>
Sundry Assets:		
Cash in hand	5,000	6,000
Bank Balance	12,000	29,000
Stock	25,000	24,000
Sundry Debtors	10,000	18,000
Furniture	20,000	18,000
Equipments	30,000	27,000
	1,02,000	1,22,000
<i>Less:</i> Sundry Creditors	15,000	12,000
Net Assets or Capital	87,000	1,10,000

**Statement of Profit and Loss for the year Ended 31-3-2012**

Capital as on 31-3-12		1,10,000
<i>Less:</i> Capital as on 1-4-11	87,000	
Additional Capital	<u>7,000</u>	<u>94,000</u>
Net Profits after drawings		16,000
<i>Add:</i> Drawings $\frac{16,000 \times 75}{25}$		<u>48,000</u>
Net Profit before drawings		<u>64,000</u>

**Note:** During the year 75% of the profits have been withdrawn. Therefore, ` 16,000 represents only 25% of the profits. Hence, profits earned will be ` 64,000.

**Correction in the Value of Assets and Liabilities**

Value of assets and liabilities given in the question may require some corrections/adjustments. In such a case values of the assets and liabilities should be corrected, before calculating capital (Net Assets).

**Illustration: 7**

Ramesh carries on business as dressmakers. He does not keep any accounts but wants to ascertain his profit or loss for the year 1990. He gives you as idea of the assets and liabilities as on:

	31-12-2011	31-12-2012
Cash in Hand	470	430
Bank Balance as per Pass Book	6,230	8,170
Book Debts	3,100	2,900
Stock in Trade	15,000	18,000
Investments in D.C.M Debentures	8,000	3,000
Equipment at Cost	6,000	10,000
Owing for supplies	5,000	6,000

On enquiry you find the following.

1. Certain cheques for payment for taxes amounting ` 2,500 issued on 28.12.2011 had not been presented; these were paid in Jan 2012.
2. Stock in Trade is valued at selling price; the mark up in 2011 has 25% selling price but during the year 2012 it was 25% on cost.
3. Book debts as on 31.3.2011 include ` 1,000 for good sent on sale or return basis, the customers still having the rights to return the goods.
4. The investments are shown in face value; the purchases have been made at 95.
5. Half the equipments as on 31.12.2011 was purchased in 2010 and remaining in 2011: depreciation @10%p.a on original cost on closing balance is charged.
6. A cheque for ` 500 was returned by the bank dishonored on 30.12.2012 and customer had deposited ` 700 directly into the bank on the same date. Ramesh did not know of there yet.
7. His drawings during the year 2012 have been at the rate of ` 500.
8. A cheque issued for ` 3,100 for his income tax was not presented as on 31.12.2012. You are requested to ascertain the profit earned or loss suffered by Ramesh in 2012.

**Solution:**

**Statement of Affairs of Ramesh  
As on 31<sup>st</sup> December, 2012**

Particulars	`	Particulars	`
Sundry Creditors	6,000	Cash	430
Capital (Bal. Fig.)	27,550	Bank	5,070
		Book Debts	2,700
		Stock	14,400
		Investments	2,850
		Equipments	10,000
		Less: Dep.	<u>1,900</u>
	<b>33,550</b>		<b>33,550</b>

**Statement of Affairs of Research  
As on 31<sup>st</sup> Dec. 2011**

Particulars	`	Particulars	`
Sundry Creditors	5,000	Cash	470
Capital (Bal. Fig.)	26,000	Bank	3,730
		Sundry Debtors	2,100
		Stock	12,000
		Investments	7,600
		Equipments	6,000
		Less: Dep.	<u>900</u>
	<b>31,000</b>		<b>31,000</b>

**Working Notes:**

- (i) **Bank Balance:** As per pass book is given, but bank balance as per cash book will be shown in balance sheet. Therefore, following adjustments will be required.

	31-12-2011	31-12-2012
Balance as per Pass Book	6,230	8,170
Less: Un-presented cheques	<u>2,500</u>	<u>3,100</u>
Adjusted Bank Balance	<u>3,730</u>	<u>5,070</u>

Unpresented cheques as on 31-12-2012 for personal income tax of the proprietors will be treated as drawings.

**Practical Steps in Preparation of Final Accounts****Conversion Method**

**Step 1:** Prepare a cash Book if both the sides of are not tallied. It appears as follows.

**Cash Book**

Receipts	Cash `	Bank `	Payments	Cash `	Bank `
To Balance b/d	xx	xx	By Balance B/d	xx	xx
To cash Sales	xx	xx	(Bank overdraft)		
To Collection from Debtors	xx	xx	By purchases	xx	x x
To B.R. Collected	xx	xx	By Creditors	xx	xx
To Capital introduced	xx	xx	(Payment to		
To Sale of fixed asset	xx	xx	Creditors)	xx	xx
To Misc. Income	xx	xx	By Bills Payable paid	xx	xx

To Balance c/d	xx	xx	By Drawings		
			By fixed Assets	xx	xx
			Purchases	xx	xx
			By Misc. Expenses	xx	xx
	xx	xx	By Balance c/d	xx	xx

If the difference appears on receipt side of the Cash Book, the missing information may be any of the items appearing on Receipt side of the cash book. If the difference appears on Payments side of the Cash Book the missing information maybe any of the items appearing on payments side of the Cash book.

**Step 2:** Prepare Total Debtors A/c on the basis of the information given.

#### Total Debtors A/c

	·		·
To Balance b/d	xx	By Cash /Bank	xx
To B.R. (Dishonoured)	xx	By B.R.A/c	xx
TO Bank A/c	xx	By Discount A/c	xx
(Cheque dishonoured)	xx	By bad Debts A/c	xx
To credit Sales	xx	By Sales Return A/c	xx
	-	By Balance c/d	xx
	xx		xx

The difference on debit side of total Debtors A/c may be any of the items appearing on the debit side of Total Debtors A/c. The difference on credit side of total Debtors A/c may be any of the items appearing on credit side Total Debtors A/c.

**Step 3:** Prepare Bills Receivable A/c

#### Bills Receivable A/c

	·		·
To Balance b/d	x x	By Cash/Bank A/c	xx
To Total Debtors A/c	x x	By Discount A/c	xx
(B.R. drawn)		By Total Debtors A/c	xx
		(B.R. Dishonoured)	
		By Total Creditors A/c	xx
		(B.R. Endorsed)	
		By Balance c/d	xx
	x x		x x

If the difference appears on debit side of B.R. a/c it may be either opening balance or B.R. Received . If the difference appears as credit side of B.R. It may be any of the items appearing on credit side of B.R. A/c.

**Step 4:** Prepare Total Creditors A/c

**Total Creditors A/c**

	`		`
To cash /Bank A/c	xx	By Balance b/d	xx
To B.P. A/c (Bills accepted)	xx	By Bills Payable A/c (Dishonoured )	xx
To B.R. A/c (Bills endorsed )	xx	By Total Debtors A/c (Endoresed Bill Dishonoured)	xx
To Discount A/c	xx		xx
To Purchase Returns	xx	By Bank A/c	
To Balance c/d	<u>xx</u>	(Cheque Dishonoured )	
	<b>xx</b>		<b>xx</b>

If the difference appears on debit side of total Creditors A/c. It may be any of the items on debit side of the A/c. If the difference appears on credit side of Total Creditors A/c. The difference may be any of the items on credit side of the A/c.

**Step 5:** Prepare Bills Payable A/c

**Bill Payable A/c**

	`		`
To cash /Bank A/c (Payment made)	xx	By Balance b/d	xx
To Total creditors A/c (B.P. Dishnoured)	xx	By Total Creditors A/c (B.P. accepted)	xx
To Balance c/d	<u>xx</u>		
	<b>xx</b>		<b>xx</b>

If the difference appears on date side of Bills Payable A/c, it may be any of the three items appearing on debit side of Bills Payable A/c. If the difference appears on credit side of fixed Asset A/c, it mat be any one of the items appearing on credit side of Fixed Asset A/c.

**Step 6:** Prepare Revenue Expenses A/c.

### Revenue Experience A/c

	`		`
To Balance b/d	xx	By Balance b/d	xx
(Paid in advance in the beginning )	xx	(unpaid in the beginning)	
To Cash/Bank A/c	xx	By Trading and P&L A/c	xx
(Expenses paid		(Expenses for the year)	
To Balance c/d	xx	To Balance c/d	xx
(unpaid at the end)	---	(paid in advance at the end)	---
	<b>xx</b>		<b>xx</b>

If the difference appears on debit side of the A/c, it may be considered any of the items on debit side of Experience A/c. If the difference appears on credit side of the A/c. It may be any of the items appearing on credit side of the A/c.

**Step 7:** Prepare Revenue Income A/c.

	`		`
To Balance b/d	x x	By Balance b/d	x x
(Accrued in the beginning)		(Income not accrued at the beginning)	
To P&L A/c	x x	By Cash/Bank A/c	xx
(Income earned during the year)		(Received during the year)	
To Balance c/d	x x	To Balance c/d	xx
(Income not accrued at the end of the year)		(accrued at the end of the year)	
	<b>xx</b>		<b>xx</b>

If the difference appears on debit side of the Income A/c. The missing information may be any one of the items appearing on debit side. If the difference appears on credit side of the A/c, the missing information may be any one of the items appearing on credit side of the A/c.

**Step 8:** Prepare Fixed Asset A/c.

### Fixed Asset A/c

	`		`
To Balance b/d	xx	By Bank A/c	xx
To Bank A/c	xx	By Loss on Sale	xx
To Bank A/c	xx	By Depreciation A/c	xx
(Expenses)		By Balance c/d	xx
To profit on sale	<u>xx</u>		---
	<b>xx</b>		<b>xx</b>

If the difference appears on debit side of the Fixed Asset A/c. It may be any one of the items appearing on debit side of the A/c. If the difference appears on credit side of Fixed Asset A/c it may be any one of the items appearing on credit side of Fixed Asset A/c.

**Step 9:** Prepare Stock A/c./ Goods A/c

**Stock/Goods A/c**

	`		`
To Opening Stock	xx	By Cost of goods Sold	xx
To Purchases	<u>xx</u>	By Closing Stock	<u>xx</u>
	<b>xx</b>		<b>xx</b>

If the difference appears on debit side of the stock A/c . it may either opening Stock or purchases. If the difference appears on credit side of Stock A/c, it may be either cost of goods sold or closing Stock.

**Step 10:** Prepare a Trial Balance to verify arithmetical accuracy.

**Step 11:** Draw opening Statement of affairs to find out opening capital.

**Step 12:** Prepare Trading and P & L A/c and Balance Sheet as per usual principles.

**Clues for Trading Missing Information**

Missing information	Clues for trading
(i) Cash Sales	(a) Prepare Cash /Bank summary (b) Cash sales = Total sales – Net credit sales
(ii) Net Credit Sales	(a) Prepare Total Debtors A/c (b) Net Credit Sales = Total Sales – Cash Sales – Sales Returns  (c) Closing Debtors x $\frac{12}{\text{Credit Period}}$
(iii) Net Sales	(a) Cash Sales + Credit Sales – Sales Returns (b) Cost of goods sold + Gross Profit
(iv) Cost of goods sold	(a) Prepare stock A/c (b) Opening stock + Purchases + Direct Expenses – Closing Stock (c) Net sales – Gross profit
(v) Gross Profit	(a) Net Sales – Cost of goods sold  (b) Net Sales x $\frac{\text{Rate of G.P.}}{100}$

(vi) Cash purchases	(a) Prepare Cash /Bank summary
(vii) Net Credit purchases	(b) Total Purchases – Net Credit Purchases
	(a) Prepare Total Creditors A/c
	(b) Total Purchases – Cash Purchases – Purchases Returns
	(c) Closing creditors $\times \frac{12}{\text{Credit Period}}$
(viii) Net Purchases	(a) Prepare Stock A/c
	(b) Cost of goods sold + Closing Stock – Opening Stock
	(c) Cash Purchases + Credit Purchases – Purchases Returns
(ix) Drawing /Expenses/Repayment of loans/loan taken/Capital introduction	Prepare a cash Book with Cash / Bank column.
(x) Amount collected from Debtors	(a) Prepare Total Debtors A/c
	(b) Prepare Cash / Bank A/c
(xi) Amount paid to creditors	(a) Prepare Total Creditors A/c
	(b) Prepare Cash / Bank A/c
(xii) B/R accepted by debtors	(a) Prepare Total Debtors A/c
	(b) Prepare Bills Receivable A/c
(xiii) B.P. Drawn by creditors	(a) Prepare Total Creditors A/c
	(b) Prepare Bills Payable A/c
(xiv) Collection on account of Bills Receivable	(a) Prepare Cash /Bank A/c
	(b) Prepare Bills Reveivable A/c
(xv) Payment on account of Bills Payable	(a) Prepare Cash /Bank A/c
	(b) Prepare Bills Payable A/c
(xvi) Cash Stolen	Prepare Cash /Bank A/c
(xvii) Cash/Bank balance	Prepare Cash /Bank A/c
(xviii) Capital at the beginning of theyear.	Prepare opening Balance Sheet/ Statementof affairs

**Illustration: 8**

Khan gives some of Balance as per his records as on January 1, 2012 and 31<sup>st</sup> December, 2012:

	January 1, 2012	Dec 31, 2012
Cash and Bank Balance	4,500	3,650
Sundry Debtors	?	37,800
Sundry Creditors	19,600	21,700
Stock in Trade	11,000	13,400
Furniture's and Fixtures	16,000	?
Expenses Outstanding	4,100	5,300

He informs you that he always sells goods at margin of 25% on sales but one lot costing ` 1,500 had to be sold for ` 1,400 due to damage. The cash book summary, inter alia, showed the following items:

Paid to Creditors	57,000	Received From Sundry Debtors	76,000
Paid to Expenses	20,300	Misc. Receipts	900
Paid to furniture	2,500	Drawings	6,000
Cash Purchases	6,000		

Discounts allowed and received were ` 650 and ` 300

Depreciation on Furniture was @ 10%

Prepare Khan's trading and profit and loss account for 2001 and his balance sheet as at the end of that year.

**Solution**

**Notes:** Good Deal Of information is not Available it will have to be ascertained hence the following workings

**1. To Ascertain Credit Purchase**

**Sundry Creditors Account**

To cash	57,000	By Balance b/d	19,600
To Discount Received	300	By Purchases	59,400
To balance c/d	21,7000	(Balancing figure)	
	<b>79,000</b>		<b>79,000</b>

**2. Total Purchase**

Credit	59,400
Cash	6,000
	<u>65,400</u>

**3. Cost of Goods Sold and Sales**

Purchase	65,400
<i>Add:</i> Opening stock	11,000
	<u>76,400</u>
<i>Less:</i> closing Stock	13,400
Cost of Goods sold	<u>63,100</u>
<i>Less:</i> Item sold below Cost	1,500
	<u>61,500</u>
Gross profit @33 ½ % which is the same as 25% on sales	20,500
	<u>82,000</u>
	1,400
<i>Add:</i> sales below cost	<u>83,400</u>

**4. Cash Sales****Cash Book**

	₹		₹
To Balance b/d	4,500	By Sundry Creditors	57,000
To Sundry	76,000	By Cash Purchases	6,000
To Misc. Receipts	900	By Expense	20,300
To Cash Sales	14,050	By Furniture	2,500
(Balancing figure)		By Drawings	6,000
		By Balance c/d	3,650
	<b>95,450</b>		<b>95,450</b>

**5. Credit Sales**

Total Sales	83,400
<i>Less:</i> Cash Sales	14,050

**6. Opening Balance of Sundry Debtors****Sundry Debtors Account**

	₹		₹
To Balance b/d (Balance figure)	45,100	By Cash	
To Credit Sales		By Discount	76,000
	69,350	By Balance c/d	650
	<b>1,14,450</b>		<b>37,800</b>
			<b>1,14,450</b>

## 7. Opening Balance of Capital

Balance Sheet as on 1<sup>st</sup> Jan, 2012

	₹		₹
Sundry Creditors	19,600	Cash and Bank Balance	4,500
Expenses Outstanding	4,100	Sundry Debtors	45,100
Capital (Balance figure)	52,900	Stock in Trade	11,000
		Furniture and Fixtures	16,000
	<b>76,600</b>		<b>76,600</b>

Trading and Profit and Loss Account of Khan for the year Ended 31<sup>st</sup> Dec 2012

	₹		₹
To Opening Stock	11,000	By Sales	83,400
To Purchases	65,400	By Closing Stock	13,400
The Gross profit c/d	20,400		
	96,800		96,800
To Expenses	21,500	By Gross Profit b/d	20,400
To Depreciation	1,725*	By Discount Received	300
To Discount allowed	650	By Misc Receipts	900
		By Loss	2,275
	<b>23,875</b>		<b>23,875</b>

Balance Sheet of Khan as at 31<sup>st</sup> December, 2012

Liabilities		₹	Assets		₹
Capital:			Cash and Bank Balance		3,650
As on Jan 1, 2001		52,900	Stock in Trade		13,400
Less: Drawings	6,000		Sundry Debtors		35,800
Loss	2,275		Furniture		
		44,625	As on 1, Jan., 2012	16,000	
Sundry Creditors		21,700	Addition During the Year	2,500	18,500
Expenses Outstanding		5,300	Less: Depreciation	1,725	16,775
		<b>71,625</b>			<b>71,625</b>

On the Addition, Depreciation has been allowed for half year on the assumption that the purchase was made in the middle of the year.

**Illustration: 9****Bose Supplies to you to the Following Information**

	1 <sup>st</sup> January, 2012	31 <sup>st</sup> dec. 2012
Sundry Debtors	18,100	19,300
Stock	15,000	14,000
Machinery	25,000	
Furniture	4,000	
Sundry creditors	11,000	12,500

**Summary of Cash Transaction for 2012**

Receipts		Payments	
Opening Balance	500	Payment of creditors	35,000
Cash Sale	6,100	Wages	16,000
Received from Debtors	73,300	Salaries	15,000
Miscellaneous receipts	200	Drawings	4,0200
Loan from Dass		Expenses	11,000
(@ 9% an 1 <sup>st</sup> July)	10,000	Machinery Purchased (1 <sup>st</sup> July)	9,500
		Closing Balance	1,600
	<b>92,100</b>		<b>92,100</b>

Discounts allowed were ₹ 700 and discounts received were ₹ 400. Bad debts. Written off were ₹ 800. Depreciation is to be written off furniture @5% and Machinery @10%. Expenses include insurance @ ₹ 500 p.a Paid up to 31<sup>st</sup> March 2013; Wages. ₹ 2000, are still Due.

Prepare Trading and Profit and Loss Account and Balance Sheet Retaining to 2012.

**Solution****Total Debtors Account (to Ascertain Credit Sales)**

2012 To Balance b/d Jan1 To Credit Sales (Balancing Figure)	18,100  78,000	2012 Dec.31	By Cash By Discount By Bad Debts By Balance Debts	75,300  700 800 19,300
	<b>96,100</b>			<b>96,100</b>

**Total Creditors Account (to find out Credit Purchases)**

	`			`
2012 To Cash	35,000	2012	By Balance b/d	11,000
Dec.31 To Discount	400	Jan.1	By Credit Purchases	
To Balance Sheet	12,500		(Balancing Figure)	36,900
	<b>47,900</b>			<b>47,900</b>

**Balance Sheet on 1<sup>st</sup> Jan.2012**

<b>Liabilities</b>	`	<b>Assets</b>	`
Sundry Creditors	11,000	Cash	500
Capital		Stock	15,000
(Balancing figure)	51,600	Sundry Debtors	18,100
		Machinery	25,000
		Furniture	4,000
	<b>62,600</b>		<b>62,600</b>

**Trading and Profit and Loss Account of Bose for the year Ended Dec. 31, 2012**

	`		`
To Opening Stock	15,000	By Sales:	
To Purchases	36,900	Credit	78,000
To Wages: Paid	16,000	Cash	6,100
<i>Add:</i> Outstanding	2,000	By Closing Stock	
To Gross Profit c/d	18,000		
	<b>98,100</b>		<b>98,100</b>
To Salaries	15,000	By Gross Profit	200
To Expenses:	11,000	By miscellaneous Receipts	400
<i>Less:</i> Prepaid	125	Discount Received	2,200
To Interest on Loan:		By loss	
9% for 6 mon.on ` 10,000	450		
To Depreciation:			
Machinery	2,975		
Furniture	200		
To Discount allowed	700		
To Bad Debts	800		
	<b>31,000</b>		<b>31,000</b>

## Balance Sheet of Bose as at December 31, 2012

Liabilities		₹	Fixed Assets		₹
Sundry Creditors		12,500	Machinery		
Wages Unpaid		2,000	Balance on 1 <sup>st</sup> Jan.,	25,000	
<i>Loan:</i>	10,000		Addition	9,500	
<i>Add: Interest Unpaid</i>	450	10,450		34,500	
Capital			<i>Less: Depreciation</i>	2,975	31,525
Balance on 1 <sup>st</sup> Jan.2012	51,600		Furniture:		
<i>Less: Loss</i>	2,200		Balance on 1 <sup>st</sup> Jan.	4,000	
Drawings	4,4000	6,200			45,4000
			<i>Less: Dep.</i>	200	3,800
			Current Assets:		
			Stock		14,000
			Debtors		19,300
			Cash		1,600
			Prepaid Insurance		125
		<b>73,350</b>			<b>70,350</b>

**Note:** Depreciation on Machinery has been calculated as under:

10% on ₹ 25,000 for Full Year	2,500
10% on ₹ 25,000 for Six Month	475
	2,975

**Illustration: 10**

Mr. BHOPATRAO does not maintain proper books of accounts from the following information prepare trading and profit and loss account for the year ended 31st -3- 2012 and a balance sheet as on 1-4-2011:

Assets and Liability	1-4-2011 (₹)	31-3-2012 (₹)
Plant and machinery	1,40,000	1,40,000
Furniture	10,000	10,000
Stock	44,000	60,000
Debtors	81,000	1,12,500
Creditors	27,000	22,500
6% investment	50,000	50,000

## Analysis of Other Transaction

Particulars	
Cash paid to creditors	1,98,000
Cash received from debtors	2,37,600
Salaries	54,000
Rent	7,500
Office expenses	19,000
Drawings	13,500
Additional capital introduced	10,000
Cash sales	35,000
Cash purchases	25,000
Discount received	3,150
Discount allowed	1,350
Return inward	4,500
Return outward	3,600
Cash on 1-4-2007	20,000
Bad debts	900

Depreciate plant and machinery @ 5% p.a. and furniture 2 10% p.a. and also provide interest receivable on investment.

## Solution

## In the Books of MR. BHOPATRAO Opening B/S as on 1-4-2011

Liabilities	Amount	Assets	Amount
Capital	3,18,000	Plant and machinery	14,000
Creditors	27,000	Furniture	10,000
		Stock	44,000
		Debtors	81,000
		6% investment	50,000
		Cash in hand	20,000
	<b>3,45,000</b>		<b>3,45,000</b>

## Debtors A/c

Particulars	Amount	Particulars	Amount
To bal b/d	81,000	By cash	2,73,600
To sales	3,11,850	By discount	1,350

		By return investment	4,500
		By bad debts	900
		By bal c/d	1,12,500
	<b>3,92,850</b>		<b>3,92,850</b>

**Creditors A/c**

Particulars	Amount	Particulars	Amount
To cash	1,98,000	By bal b/d	27,000
To discount	3,150	By purchases	2,00,250
To return o/w	3,600		
To bal c/d	22,500		
	<b>227,250</b>		<b>2,27,250</b>

**Cash A/c**

Particulars	Amount	Particulars	Amount
To bal b/d	20,000	By creditors	1,98,000
To debtors	2,73,600	By salaries	54,000
To cash sales	35,000	By rent	7,500
To capital introduced	10,000	By office expenses	19,000
		By drawings	13,500
		By cash purchase	25,000
		By bal c/d	21,600
	<b>3,38,600</b>		<b>3,38,600</b>

**Trading P/I A/c for the year ended 31<sup>st</sup> march 2012**

Particulars	Amount	Particulars	Amount
To Opening Stock	44,000	By Sale:	
		Cash:	35,000
		Creditors:	3,11,850
		(-) return (4500)	3,42,350
To Purchases:		By Closing Stock	60,000
Cash:	25,000		
Credit:	2,00,250		
(-) return (3600)	2,21,650		
To Gross Profit C/d	1,36,700		
	<b>4,02,350</b>		<b>4,02,350</b>

To Salaries	54,000	By Gross Profit b/d	1,36,700
To Rent	7,500	By Interest	3,000
To Office exp.	19,000	Discount Received	3,150
To Discount Allowed	1,350		
To Bad Debts	900		
To Depreciation:			
Plant:	7,000		
Furniture:	1,000	8,000	
To Net Profit c/d	51,100		
	<b>1,42,850</b>		<b>1,42,850</b>

**Illustration: 11****Mr. Ramji Supplies you the Following Information**

Particulars	1 <sup>st</sup> April, 2008	31 <sup>st</sup> March, 2009
Sundry Debtors	90,000	1,05,000
Stock	75,000	85,000
Sundry Creditors	55,000	60,000
Furniture	20,000	?
Machinery	1,75,000	?

**Summary of Cash Transaction for the Year 2008 – 2009**

Particulars	₹	Payments	₹
Opening balance	5,000	Creditors	1,75,000
Cash sales	55,000	Wages	80,000
Received from debtors	3,90,000	Salaries	75,000
Loan from raj @ 10% P.A on 1 <sup>st</sup> oct. 2008	50,000	Expenses	30,000
		Drawings	45,000
		Income tax	15,000
		Machinery purchased on 1 <sup>st</sup> October 2008	50,000
		Closing stock	30,000

Discount allowed were ₹ 6,000 and discount received ₹ 5,000. Bad debts written off were ₹ 4,000. depreciation is to be provided on furniture @ 5% P.A and machinery @ 10 % P.A expenses include payments of ₹ 1,000 which relates to 209-10 wages outstanding ₹ 7,500. Prepare trading profit and loss account of Mr. Ramji for the year ended 31<sup>st</sup> march, 2009 and balance sheet as on date.

**Solution:****Opening Balance as on 1-4-2008**

<b>Particulars</b>	<b>`</b>	<b>Payments</b>	<b>`</b>
Sundry creditors	55,000	Sundry debtors	90,000
Capital (B/F)	3,10,000	Stock	75,000
		Furniture	20,000
		Machinery	1,75,000
		Cash and bank	5,000
	<b>3,65,000</b>		<b>3,65,000</b>

**Sundry Debtors A/c**

<b>Particulars</b>	<b>`</b>	<b>Payments</b>	<b>`</b>
To sales B/D	90,000	By cash and bank a/c	3,30,000
To sale (B/F)	4,15,000	By discount allowed	6,000
		By bad debts	4,000
	<b>5,05,000</b>		<b>5,05,000</b>

**Sundry Creditors A/c**

<b>Particulars</b>	<b>`</b>	<b>Payments</b>	<b>`</b>
To cash and bank a/c	1,75,000	By balance b/d	55,000
To discount	5,000	By purchases (B/F)	1,85,000
To balance c/d	60,000		
	<b>2,40,000</b>		<b>2,40,000</b>

**Trading a/c for the Year Ended 31-03-2009**

<b>Particulars</b>	<b>`</b>	<b>Payments</b>	<b>`</b>
To opening stock	73,000	By sales Cash: 55,000	4,70,000
		Credit: 4,15,000	
To purchases	1,85,000	By closing stock	85,000
To wages 80,000			
(+)O/S 7500	87,500		
To gross profit c/d	2,07,500		
	<b>5,55,000</b>		<b>5,55,000</b>

## Profit &amp; Loss A/c for the Year Ended 31-3-2009

Particulars		₹	Payments		₹
To salaries		75,000	By gross profit b/d		2,07,500
To expenses	30,000		By discount		5,000
(-) prepaid	1,000	29,000			
To discount allowed		6,000			
To bad debts		4,000			
To depreciation:					
Furniture:	1,000				
Machinery:	20,000	21,000			
To net profit		77,500			
		<b>2,12,500</b>			<b>2,12,500</b>

## Closing Balance Sheet as on 31-3-2009

Particulars		₹	Particulars		₹
Capital	3,10,000		Furniture	20,000	
(+) net profit	77,500		(-) DEP 1000		19,000
(-) drawings	45,000		Machinery	1,75,000	
(-) income tax	15,000	3,27,500	(+) additions 50000		
			(-) DEP (17500 + 2500)	20,000	2,05,000
Loan from raj		50,000	Cash and bank		30,000
Outstanding wages		7,500	Prepaid expenses		1,000
Sundry creditors		60,000	Sundry debtors		1,05,000
			Stock		85,000
		<b>4,45,000</b>			<b>4,45,000</b>

## Illustration: 12

From The Following Information Prepare Trading and Profit & Loss Account for the Year Ended 31<sup>st</sup> March, 2010 and Balance Sheet as on that date.

Particulars	31-3-2009	31-3-2010
Stock	41,600	31,200
Bilss receivalble	20,280	
Fixed assets	57,200	57,200
Bills receivable	10,400	
Debtors	20,800	
Cash	5200	
Creditors	20,800	

**Cash Transaction During the Year 2009 –10**

Particulars	`
Wages and salaries	52,000
Drawings	5,200
Received from debtors	1,45,600
Bills receivable encased	52,000
Payment to creditors	78,000
Bills payable paid	62,400
Sundry expenses	2,600
Cash sales	20,800

**Non Cash Transaction During the Year 2009 – 10**

Particulars	`
Discount Allowed	5,200
Discount Received	7,800
Credit Purchases	1,56,000
Credit Sales	2,13,200
Bills Receivable Drawn	57,200
Bills Payable Accepted	72,800

Adjustment to Be Made For the Preparation of Final Accounts

- (a) Wages Outstanding – ` 5,200
- (b) 10% Depreciation On Fixed Assets
- (c) 5% Provision For Doubtful Debts
- (d) Prepaid Insurance ` 250

**Solution**

**Trading A/c for the Year Ende 31<sup>st</sup> March 2010**

Particulars	`	`	Particulars	`	`
To opening stock		41,600	By sales:		
			Cash	20,800	
			Creditors	2,13,200	2,34,000
To purchases		1,56,000	By closing stock		31,200
To wages & salaries	5,200				
Add: O/S wages	52,000	57,200			
To gross profit c/d		10,400			
		<b>2,65,200</b>			<b>2,65,200</b>

P&I A/c for the Year Ended 31<sup>st</sup> March 2010

Particulars	₹	₹	Particulars	₹	₹
To Discount Allowed		5,200	By Gross Profit B/D		10,400
To Sundry Expenses	2,600		By Discount Received		7,800
(-) Prepaid Insurance	520	2,080			
To Dep P.A		5,720			
To Provision For Doubtful Debts		1,300			
To Net Profit C/D		3,900			
		<b>18,200</b>			<b>18,200</b>

Balance Sheet As On 31<sup>st</sup> March 2010

Liabilities	₹	₹	Assets	₹	₹
Capital Account	1,13,800		Fixed Assets		
(-) Drawings	5,200			57,200	
	1,08,600		(-) Dep 10%	5,720	51,480
Add Net Profit	3,900	1,12,500	Prepaid Insurance		520
Bills Payable		20,800	Stock		31,200
Creditors		18,200	Bills Receivable		25,400
O/S Wages		5,200	Debtors	26,000	
			(-) Provision	1,300	24,700
			C/B		23,400
		<b>1,56,700</b>			<b>1,56,700</b>

## W.N. Statement of Affairs as On 31-3-09

Liabilities	₹	Assets	₹
Capital Account	1,13,880	Stock	41,600
Bills Payable	10,400	Bills Receivable	20,280
Creditors	20,800	Fixed Assets	57,200
		Debtors	20,800
		Cash	5,200
	<b>1,45,080</b>		<b>1,45,080</b>

**Bills Receivable A/c**

Particulars	₹	Particulars	₹
To Bal B/D	20,200	By Cash/Bank	52,000
To Debtors	57,200	By Balance C/D	25,400
	<b>77,400</b>		<b>77,400</b>

**Bills Payable A/c**

Particulars	₹	Particulars	₹
Cash/Bank	62,400	By Balance B/D	10,400
To Balance C/D	20,800	By Creditors	72,800
	<b>83,200</b>		<b>83,200</b>

**Debtors A/c**

Particulars	₹	Particulars	₹
To Bal B/D	20,800	By Bills Receivable	57,200
		By Cash/Bank	1,45,600
To Sales	2,13,200	By Discount Allowed	5,200
		By Balance C/D	26,000
	<b>2,34,000</b>		<b>2,34,000</b>

**Creditors A/c**

Particulars	₹	Particulars	₹
To Bills Payable	72,800	By Balance B/D	20,800
To Cash/Bank	78,000		
To Discount Received	7,800	By Purchases	1,56,000
To Balance C/D	18,200		
	<b>1,76,800</b>		<b>1,76,800</b>

**Note:****Illustration: 13****(Comprehensive Problem)**

You are given (1) The Balance Sheet of Raj Kumar on 31<sup>st</sup> March, 2011 (2) a cash account for the year ended 31<sup>st</sup> March, 2012 and (3) additional information. You are required to prepare a Trading and Profit and Loss A/c. For the year ended 31<sup>st</sup> March, 2012 and a balance Sheet as on that date.

## Balance Sheet as on 31.3.2011

Liabilities	Amt. `	Assets	Amt. `
Creditors	20,000	Cash	5,000
Bills Payable	40,000	Banks	10,000
		Bills Receivable	20,000
Capital	1,00,000	Debtors	25,000
		Stock	20,000
		Furniture	10,000
	–	Plant	70,000
	<b>1,60,000</b>		<b>1,60,000</b>

## Cash A/c for the Year Ended 31.3.2012

	Amt. `		Amt. `
Balance		Drawing	12,000
Cash	5,000	Wages	20,000
Bank	<u>10,000</u>	Payment to Creditors	35,000
Cash Sales	35,000	Bills paid	60,000
Collection from Debtors	80,000	Sundry Expenses	30,000
Bills Receivable	75,000	Rent, Rates and Taxes	20,000
		Balance :	
		Cash	3,000
		Bank	<u>25,000</u>
	<u>2,05,000</u>		<u>28,000</u>
			<u>2,05,000</u>

## Additional Information

Particulars	`
Debtors on 31 <sup>st</sup> March, 2012	40,000
Creditors on 31 <sup>st</sup> March, 2012	25,000
Bills Receivable on 31 <sup>st</sup> March, 2012	30,000
Bills Payable on 31 <sup>st</sup> March, 2012	50,000
Stock in Trade on 31 <sup>st</sup> March, 2012	30,000
Bills Receivable in hand dishonoured during the year	5,000
Bills payable dishonoured	2,000
Bills Receivable endorsed	15,000
Bills receivable as endorsed dishonoured	2,000
Discount Allowed	1,000
Discount Received	2,000

(CS Modified)

**Solution**

<b>Dr.</b>		<b>Bills Receivable A/c</b>		<b>Cr.</b>	
		<b>Amt. `</b>			
				<b>Amt. `</b>	
To Balance b/d		20,000	By Cash	75,000	
To Debtors		1,05,000	By Debtors	5,000	
			By Creditors	15,000	
		-	By Balance c/d	30,000	
		<b>1,25,000</b>		<b>1,25,000</b>	

<b>Dr.</b>		<b>Bills Payable A/c</b>		<b>Cr.</b>	
		<b>Amt. `</b>			
				<b>Amt. `</b>	
To Cash		60,000	By Balance b/d	40,000	
To creditors		2,000	By Sundry Creditors	72,000	
To Balance		50,000		-	
		<b>1,12,000</b>		<b>1,12,000</b>	

<b>Dr.</b>		<b>Total Debtors A/c</b>		<b>Cr.</b>	
		<b>Amt. `</b>			
				<b>Amt. `</b>	
To Balance b/d		25,000	By Cash	80,000	
To bills Receivable		5,000	By Discount	1,000	
To creditors		2,000	By Bills Receivable	1,05,000	
To sales		1,94,000	By Balance c/d	40,000	
		<b>2,26,000</b>		<b>2,26,000</b>	

<b>Dr.</b>		<b>Total Creditors A/c</b>		<b>Cr.</b>	
		<b>Amt. `</b>			
				<b>Amt. `</b>	
To Cash		35,000	By Balance b/d	20,000	
To Bills Receivable		15,000	By Bills Payable	2,000	
To Discount		2,000	By Debtors	2,000	
To Bills Payable		72,000	By Purchase	1,25,000	
To Balance c/d		25,000		-	
		<b>1,49,000</b>		<b>1,49,000</b>	

Dr.	Trading and Profit & Loss A/c		Cr.
	Amt. `		Amt `
To opening Stock	20,000	By Sales	
To Purchases	1,25,000	Cash	35,000
To Wages	20,000	Credit	1,94,000
To G.P c/d	94,000	By closing Stock	30,000
	<b>2,59,000</b>		<b>2,59,000</b>
To Sundry Experience	30,000	By G.P. b/d	94,000
To Rent, Rates And Taxes	20,000	By Discount	2,000
To Discount	1,000		
To N.P. Transferred to Capital A/c	45,000		
	<b>96,000</b>		<b>96,000</b>

**Balance Sheet**

Cr.	As on 31 <sup>st</sup> March, 2012		Cr.
Liabilities	Amt. `	Assets	Amt. `
Creditors	25,000	Cash	3,000
	50,000	Bank	25,000
Bills Payable		Bills Receivable	30,000
Capital: 1,00,000		Debto`	40,000
Add: Profit <u>45,000</u>		Stock	30,000
	1,45,000	Furniture	10,000
Less: Drawings <u>12,000</u>	1,33,000	Plant	70,000
	<b>2,08,000</b>		<b>2,08,000</b>

**Illustration: 14****(Two years information given)****Balance Sheet of Mr. Jolly as on December 31, 2011 is as follows**

Liabilities	Amt. `	Assets	Amt. `
Creditors	20,855	Bank	15,615
Accruals	935	Debtors	31,150
Capital	65,360	Stock	20,835
		Fixtures	10,800
		Machinery at cost	8,750
	<b>87,150</b>		<b>87,150</b>

Following information is disclosed by the book:

	31.12.2011 `	31.12.2012 `
Cash received from debtors	37,160	43,110
Cash paid: Expenses	9,240	11,450
Creditors	16,345	37,835
Drawings	4,600	6,950
Sales	41,550	54,000
Purchases	21,150	40,900
Bad debts	1,350	Nil
Expenses outstanding	865	615
Stock in hand	—	16,000

No Stock was taken on December 31, 2011 but it was agreed that it should be taken at a figure consistent with total rate of gross profit for two years. Depreciation is to be provided on machinery at 20% p.a. On original cost.

You are required to prepare Trading and Loss account for two years and the Balance sheet as on December 31, 2012

*(IPCC Modified)*

**Solution:**

**Trading and Profit & Loss A/c**

Dr.	For the year Ended			Cr.	
	31.12.98 `	31.12.99 `		31.12.98 `	31.12.99 `
To Opening Stock	20,835	12,900	By Sales	41,550	54,000
To Purchases	21,150	40,900	By Closing Stock	12,900	16,000
To GP. (at 30% on sales) c/d	12,465	16,200		-	-
	<b>54,450</b>	<b>70,000</b>		<b>54,450</b>	<b>70,000</b>
To Bad Debts	1,350	Nil	By G.P. b/d	12,465	16,200
To Expenses	9,170	11,200		-	-
To Depreciation	1,750	1,750		-	-
To N.P.	195	3,250		-	-
	<b>12,465</b>	<b>16,250</b>		<b>12,465</b>	<b>16,250</b>

Balance Sheet as on 31<sup>st</sup> December

Liabilities	1998 `	1999 `	Assets	1998 `	1999 `
Creditors	25,660	28,725	Bank	22,590	9,465
Outstanding Exp.	865	615	Debtors	34,190	45,080
Capital	60,955	57,255	Stock	12,900	16,000
			Fixtures	10,800	10,000
			Machinery		
	-	-	Less Depreciation	7,000	5,250
	<b>87,480</b>	<b>86,595</b>		<b>87,480</b>	<b>86,595</b>

1. Closing stock for 31.12.2011 is the balancing figure.

2. Expenses for 2011

Expenses for 2012

Exp.	9,240	Exp.	11,450
Less: Opening Balance	935	Less: Opening Balance	865
	8,305		10,585
Add: Closing Balance	865	Add: Closing Balance	615
	<b>9,170</b>		<b>11,200</b>

3. Calculate of rate of G.P.

**Combined Trading A/c**  
**For the Period Ended 31<sup>st</sup> December, 2012**

	Amt. `		Amt. `
To Stock	20,835	By Sales:	
To Purchases:		1998	41,550
1998	21,150	1999	<u>54,000</u>
1999	<u>40,990</u>	By Stock	16,000
To G.P.	28,665		-
	<b>1,11,550</b>		<b>1,11,550</b>

$$\text{G.P. Ratio} = \frac{28,665}{95,550} \times 100 = 30\%$$

4. Calculation of Bank Balance on 31<sup>st</sup> December, 2011 and 2012

	2011 `	2012 `		2011 `	2012 `
To Balance b/d	15,615	22,590	By Exp.	9,240	11,450
To Debtors	37,160	43,110	By Creditors	16,345	37,835
			By Drawings	4,600	6,950
	-	-	By Balance c/d (Closing Balance)	22,590	9,465
	<b>52,775</b>	<b>65,700</b>		<b>52,775</b>	<b>65,700</b>

5. Calculation of debtors balance as on 31<sup>st</sup> Dec. 2011 and 2012**Total Debtors A/c**

	2011 `	2012 `		2011 `	2012 `
To Balance b/d	31,150	34,190	By Cash	37,160	43,110
To Sales	41,550	54,000	By Bad debts	1,350	Nil
	-	-	By Bal. c/d (Bal) Fig)	34,190	45,080
	<b>72,700</b>	<b>88,190</b>		<b>72,700</b>	<b>88,190</b>

6. Calculation of creditors balance as on 31<sup>st</sup> Dec. 2011 and 2012**Total Creditors A/c**

	2011 `	2012 `		2011 `	2012 `
To Cash	16,345	37,835	By Balance b/d	20,855	25,660
To Bal c/d (Bal fig)	25,660	28,725	By purchases	21,150	40,900
	<b>42,005</b>	<b>66,560</b>		<b>42,005</b>	<b>66,560</b>

<b>7. Capital for 2011</b>	`	<b>Capital for 2012</b>	`
Opening Balance	65,360	Opening Balance	60,955
Add N.P.	195	Add N.P.	3,250
	65,155		64,205
Less Drawing	4,600	Less Drawing	6,950
	<b>60,955</b>		<b>57,255</b>

**Illustration: 15****(Comprehensive Problem)**

You are given:

1. The Balance sheet of Deepak as at 31<sup>st</sup> December 2011

2. The Cash Account for the year ended 31<sup>st</sup> December 2012
3. Additional information.

You are required to prepare a Trading and Profit and Loss Account for the year ended 31<sup>st</sup> December 2012 and Balance Sheet as on that date.

**Balance Sheet as on 31<sup>st</sup> December. 2011**

<b>Liabilities</b>	<b>Amt. `</b>	<b>Assets</b>	<b>Amt. `</b>
Sundry Creditors	2,000	Cash	1,500
Bills Payable	4,000	Bills Receivable	2,000
Outstanding Wages	100	Sundry Debtors	2,500
Capital	9,900	Stock	2,000
		Furniture	1,000
	-	Plant and Machinery	7,000
	<b>16,000</b>		<b>16,000</b>

**Cash A/c for the Year Ended 31.12.2012**

<b>Receipts</b>	<b>Amt. `</b>	<b>Payments</b>	<b>Amt. `</b>
To Balance b/d	1,500	By Wages	2,000
To Cash Sales	3,500	By Drawings	1,200
To debtors	8,000	By payment to Creditors	3,500
To Bills Receivable	7,500	By Bills Payable	6,000
		By Sundry Expenses	3,000
	-	By Rent, Rates and Taxes	2,000
		By Balance c/d	2,800
	<b>20,500</b>		<b>20,500</b>

Additional Information :

Sundry Debtors	31.12.2012	4,000
Sundry Creditors	31.12.2012	2,500
Bills Receivable	31.12.2012	4,500
Bills Payable	31.12.2012	5,000
Stock	31.12.2012	3,000
Bills Receivable dishonoured during the year		500
Bills Payable dishonoured		200
Discount allowed		250
Bills Receivable Endorsed		1,500
Bills Receivable endorsed dishonoured		200
Discount Received		650

**Solution**

Dr.	<b>Bills Receivable A/c</b>		Cr.
	Amt. `		Amt. `
To Balance b/d	2,000	By Cash	7,500
To Debtors (Balance Figure)	12,000	By Debtors (B/R Dishonoured)	500
		By Creditors (B/R endorsed)	1,500
	-	By Balance c/d	4,500
	<b>14,000</b>		<b>14,000</b>

Dr.	<b>Total Debtors A/c</b>		Cr.
	Amt. `		Amt. `
To Balance b/d	2,500	By Cash	8,000
To B/R (dishonored)	500	By Discount	250
To Creditors		By bills Receivable	12,000
(B/R endorsed are dishonoured)	200	By Balance c/d	4,000
To Sales (Balancing Figure)	21,000		-
	<b>24,000</b>		<b>24,250</b>

Dr.	<b>Bills Payable A/c</b>		Cr.
	Amt. `		Amt. `
To Cash	6,000	By Balance b/d	4,000
To Creditors		By Creditors	
(B.P. dishonoured)	5,200	(Balancing Figure)	7,200
	<b>11,200</b>		<b>11,200</b>

Dr.	<b>Total Creditors A/c</b>		Cr.
	Amt. `		Amt. `
To Cash	3,500	By Balance b/d	2,000
To Discount	650	By Bills Payable (dishonoured)	200
To Bills Payable	7,200	By Debtors	
To Bills Receivable	1,500	(B.R. Endorsed dishonoured)	200
To Balance c/d	2,500	By Purchases (Bal. Fig)	12,950
	<b>15,350</b>		<b>15,350</b>

**Trading and Profit & Loss A/c  
for the Year Ended 31<sup>st</sup> December 2012**

	Amt. `		Amt. `
To Opening Stock	2,000	By Sales :	
To Purchases	12,950	Cash Sales	2,500
To Wages	2,000	Credit Sales	<u>21,050</u>
Less for 1987	<u>100</u>		24,550
To Gross profit c/d	10,700	By Closing Stock	3,000
	<u>27,550</u>		<u>27,550</u>
To Rent, Rates & Taxes	2,000	By G.P. b/d	10,700
To Sundry Expenses	3,000	By Discount	650
To Discount	250		-
To N.P. Transferred to Capital	6,100		-
	<u>11,350</u>		<u>11,350</u>

**Balance Sheet as on 31.12.2012**

Liabilities	Amt. `	Assets	Amt. `
Sundry Creditors	2,500	Cash	2,800
Bills Payable	5,000	Sundry Debtors	4,000
Capital	9,900	Stock	3,000
Add: N.P.	<u>6,100</u>	Bills Receivable	4,500
	16,000	Furniture	1,000
Less: Drawing	<u>1,200</u>	Plant & Machinery	7,000
	<u>14,800</u>		<u>22,300</u>
	<u>22,300</u>		<u>22,300</u>

**Illustration: 16**

**(Where Cash Diary is Kept)**

Bhuvanabhoopati who commenced business as a trader on 1.1.2012 has not kept Proper records of his transaction for the year ended 31st December, 2012 He, however, has kept a cash dairy from which he has extracted the following:

**Cash A/c**

Receipts	Amt. `	Payments	Amt. `
Amounts withdrawals from		Postage Expenses	720
Bank on various dates	3,520	Conveyance Expenses	2,400
		License Fees	60
		Miscellaneous Expenses	220
	-	Balance c/d	120
	<u>3,520</u>		<u>3,520</u>

An analysis of his Bank statements reveals the following deposits and withdrawals:

**Deposits:**

Capitals introduced	50,000
Cash Sales	2,40,000
Collection from Debtors	20,000
Withdrawals :	
Cash withdrawals for petty expenses	3,520
Rent paid	2,200
Electricity Bills paid	660
Payments to suppliers	1,80,000
Insurance	12,000
Salaries	3,600
Furniture & Fixtures purchased	24,000
Advance income-tax paid	12,000
Typewriter Purchased	2,000
Personal drawings	36,000

1. All fixed assets were purchased in early January. Furniture is to be depreciated at 10 % and Typewriter at 15%.
2. Rent and Electricity Payable to the landlord are in arrear for December, 2012
3. At the end of the year, debtors were ` 5,000, creditors ` 2,700 and stock ` 39,000.

You are required to prepare :

- (a) A summary of the Bank A/c and ascertain the closing balance.
- (b) Trading and profit & Loss A/c for the year ended 31<sup>st</sup> December, 2012
- (c) Balance Sheet as at that date.

*(CIMA, London Modified)*

**Solution:**

(a)

**Book of Bhuvanbhoopati**

Dr.	Bank A/c for the Year Ended 31.12.2012		Cr.
Receipts	Amt. `	Payments	Amt. `
To Capital A/c	50,000	By Furniture & Fixtures	24,000
To Cash Sales	2,40,000	By Sundry Creditors	1,80,000
To Sundry Debtors	20,000	By Typewriter	2,000
		By Insurance	12,000
		By Cash, for Petty Expenses	3,520

		By Rent	2,200
		By Electricity	660
		By Salaries	3,600
		By Advance Income Tax	12,000
		By Drawings	36,000
		By Balance c/d	34,020
	<b>3,10,000</b>		<b>3,10,000</b>
To Balance b/d	34,020		

**(b) Trading and Profit & Loss A/c****Dr.****For the Year Ended 31.12.2012****Cr.**

	<b>Amt. `</b>		<b>Amt. `</b>
To Purchases	1,82,700	By sales :	
To Gross Profit c/d	1,21,300	Cash	2,40,000
		Credit	<u>25,000</u>
		By Stock - Closing	39,000
	<b>3,04,000</b>		<b>3,04,000</b>
To Rent	2,400	By Gross Profit b/d	1,21,300
To Electricity	720		
To Insurance	12,000		
To Salaries	3,600		
To Postage	720		
To Conveyance	2,400		
To License Fees	60		
To Miscellaneous Expenses	220		
To Depreciation:			
Furniture	2,400		
Typewriter	300		
To Net Profit transferred to Capital A/c	96,480		-
	<b>1,21,300</b>		<b>1,21,300</b>

(c) **Bhuvanabhoopati****Dr. Balance Sheet as at 31.12.2012 Cr.**

<b>Liabilities</b>	<b>Amt. `</b>	<b>Assets</b>	<b>Amt. `</b>
Sundry Creditors	2,700	Current Assets:	120
Outstanding Expenses:		Cash in Hand	34,020
Rent                   200		Cash at Bank	39,000
Electricity <u>60</u>	260	Stock	5,000
Capital:		Sundry Debtors	
Introduced           50,000		Fixed Asset :	
Add: Net Profit <u>96,480</u>		Furniture           24,000	
1,46,480		Less: Depreciation <u>2,400</u>	21,600
Less:		Typewriter           2,000	
Advance Tax          12,000		Less: Depreciation <u>300</u>	1,700
Drawing   36,000   48,000	98,480		-
	<b>1,01,440</b>		<b>1,01,440</b>

**Total Debtors A/c**

	<b>Amt. `</b>		<b>Amt. `</b>
To Sales (Balance Figure)	25,000	By Bank	20,000
		By Balance c/d	5,000
	<b>25,000</b>		<b>25,000</b>

**Total Creditors A/c**

	<b>Amt. `</b>		<b>Amt. `</b>
To Bank b/d	1,80,000		1,82,700
To Balance c/d	2,700	By Purchases (Bal. Fig.)	
	<b>1,82,700</b>		<b>1,82,700</b>

**Note:**

Advance Income Tax paid should be treated as drawings.

**Illustration: 17****(Deposit for Rent Given)**

Rama Reddi is a retail merchant who keeps only a memorandum of his transaction. By going through his notes and records, you are able to ascertain the following:

## 1. Summary of Bank A/c (1.4.2011 to 31.3.2012 )

	Amt. `		Amt. `
To Balance b/d	2,500	By Payments to Creditors	2,20,000
To Cash deposited	2,30,000	By rent paid	12,000
To Balance c/d	13,100	By Electricity Charges	3,000
		By Drawing	10,000
	<b>2,45,600</b>		<b>2,45,600</b>

## 2. Other Cash Transactions

Cash Purchases	20,000
Office Expenses paid	20,500
Cash Balance on 1.4.2011	500
Cash Balance on 31.3.2012	1,000

## 3. Other information

## (a) Stock in trade :

As on 1.4.2011	50,000
As on 31.3.2012	75,000

(b) A deposit of ` 3,000 for rent lies with the landlord.

(c) Furniture with a written down value of ` 30,000 on 1.4.2011 is subject to depreciation at 10% p.a.

(d) Electricity bills to be paid on 1.4.2011 and 31.3.2012 were for ` 400 and ` 600 respectively.

(e) Amount due to creditors on 1.4.2011 and 31.3.2012 were ` 10,600 and ` 21,000 respectively.

(f) An amount of ` 2,000 being irrecoverable from customer is to be written off as bad.

(g) Debtors on 1.4.2011 and 31.3.2012 were ` 20,000 and 20,000 and ` 17,000 (excluding bad debts of ` 2,000) respectively.

From the above information, prepare Rama Reddi's:

- (i) Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2012; and
- (ii) Balance Sheet as at 31<sup>st</sup> March, 2012

*(CIMA, London Modified)*

**Solution:**

**Mr. Rama Reddi**  
**Trading and Profit & Loss A/c**

Dr.	Amt. `	Cr.	Amt. `
<b>For the Year Ended 31.3.2012</b>			
To Opening Stock	50,000	By Sales	2,70,000
To Purchases:		By Closing Stock	75,000
Cash                   20,000			
Credit <u>2,30,000</u>	2,50,400		
To Gross profit c/d	44,600		-
	<b>3,45,000</b>		<b>3,45,000</b>
To Office Expenses	20,500	By Gross Profit b/d	44,600
To Rent	12,000		
To Electricity	3,800		
To Depreciation on Furniture	3,000		
To Bad Debts	2,000		
To Net Profit transferred to Capital A/c	3,300		-
	<b>44,600</b>		<b>44,600</b>

**Mr. Rama Reddi**  
**Balance Sheet as on 31<sup>st</sup> March, 2012**

Liabilities	Amt. `	Assets	Amt. `
Bank Overdraft	13,100	Cash in hand	1,000
Electricity Expenses Payable	600	Sundry Debtors	17,000
Sundry Creditors	21,000	Stock in trade	75,000
Capital:		Rent Deposit	3,000
Balance           95,000		Furniture           30,000	
Add: Net Profit <u>3,300</u>		Less: Depreciation <u>3,000</u>	27,000
	98,300		
Less: Drawings <u>10,000</u>	88,300		-
	<b>1,23,000</b>		<b>1,23,000</b>

**Working Notes:****Cash A/c**

	Amt. `		Amt. `
To Balance b/d	500	By Bank	2,30,000
To Receipts from Debtors (Balance figure)	2,71,000	By Purchases	20,000
	-	By Office Expenses	20,500
	<b>2,71,500</b>	By Balance c/d	1,000
			<b>2,71,500</b>

**Sundry Debtors A/c**

	Amt. `		Amt. `
To Balance b/d	20,000	By Cash	2,71,000
To Sales (Balance Figure)	2,70,000	By Bad Debts	2,000
	-	By Balance c/d	17,000
	<b>2,90,000</b>		<b>2,90,000</b>

**Sundry Creditors A/c**

	Amt. `		Amt. `
To Bank	2,20,000	By Balance b/d	10,600
To Balance c/d	21,000	By Purchases (bal. Fig.)	2,30,400
	<b>2,41,000</b>		<b>2,41,000</b>

**Balance Sheet as on 31<sup>st</sup> March, 1999**

<b>Liabilities</b>	<b>Amt. `</b>	<b>Assets</b>	<b>Amt. `</b>
Electricity Expenses Payable	400	Cash in hand	500
Sundry Creditors	10,600	Cash at Bank	2,500
Capital (Balance Figure)	95,000	Sundry Debtors	20,000
		Stock in Trade	50,000
		Rent Deposit	3,000
		Furniture	30,000
	<b>1,06,000</b>		<b>1,06,000</b>

**Note:**

Deposits for rent with the landlord should be shown as on asset.

**Illustration: 18****(Analysis of Bank Statement Given)**

Mr. Ambani keeps his books on Single-entry System. You are required to prepare his Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2012 from the following information and also to show the balance sheet as on that date :

1. A scrutiny of various Ledger Accounts reveals the following:

	As on 1.4.2011	As on 31.3.2012
Stock in hand	4,500	6,000
Sundry Debtors	24,000	27,000
Sundry Creditors	15,000	12,000
Furniture	6,000	8,000
Machinery	30,000	30,000
Bills Receivable	20,000	21,000
Bills Payable	16,500	14,000
Reserve for Bad and Doubtful Debts	1,200	1,300

2. An analysis of the Bank Statements for the year ended 31<sup>st</sup> March, 2012 is as follows:

Receipts	Amt. `	Payments	Amt. `
To Sundry Debtors	68,000	By Balance b/f	
To Cash Sales	24,400	(as on 1.4.1999)	6,000
To Bills Receivable		By Sundry Creditors	40,000
(Proceeds of a B/R		By Cash Purchases	16,000
for ` 8,000 on discounting)	7,800	By Interest on Bank	
		Overdraft	500
		By Salaries	7,500
		By Insurance	3,000
		By General Charges	2,500
		By Rent and Taxes	1,000
		By Drawings	4,000
		By Carriage Inwards	2,500
		By Freight and Duty	1,500
		By Furniture	2,000
		By B/P	12,000
		By Balance d/d	1,700
	<b>1,00,200</b>		<b>1,00,200</b>

3. There was a bad debt of ` 400 which was written off.
4. He had allowed ` 450 as discount and earned ` 300 as discount.
5. He also ` 1,500 for expenses.
6. Depreciation has to be Provided at 5% on Machinery and 10% on Furniture per annum for full year.
7. Interest on capital is to be allowed at 10% per annum.

*(CS Inter Modified)***Solution:**

**Mr. Ambani  
Trading and Profit & Loss A/c**

**Dr. For the Ended 31<sup>st</sup> March, 2012 Cr.**

	Amt. `		Amt. `
To Opening Stock	4,500	By Sales:	
To Purchases:		Cash	24,400
Cash	16,000	Credit	<u>80,850</u>
Credit	<u>47,800</u>	By Closing Stock	6,000
To Freight and Duty	1,500		
To Carriage Inwards	2,500		
To Gross Profit c/d	38,950		-
	<b>1,11,250</b>		<b>1,11,250</b>
To Interest on			
Bank Overdraft	500		
To Salaries	7,500		
To Insurance Charges	3,000		
To General Charges	2,500	By Gross Profit b/d	38,950
Expenses Outstanding	1,500	By Discount received	300
To Rent and Taxes	1,000		
To Discount allowed	450		
To Discount			
(on bill discounting)	200		
To Bad Debts	400		
To Reserve for Bad Debts			
(5% on ` 27,000)	1,350		
Less: Old Reserve	<u>1,200</u>		

To Depreciation:			
Machinery 5%			
on ` 30,000	1,500		
Furniture 10%			
on ` 8,000	<u>800</u>	2,300	
To Interest on Capital :			
10% on ` 45,800		4,580	
To Net Profit			
Transferred to Capital A/c		15,170	
		<b>39,250</b>	<b>39,250</b>

**Working Notes:****Mr. Ambani Balance Sheet as on 31<sup>st</sup> March, 2012**

<b>Liabilities</b>		<b>Amt. `</b>	<b>Assets</b>		<b>Amt. `</b>
Capital as on 1.4.1999	45,800		Machinery	30,000	
Add: Net Profit	15,170		Less: Depreciation	1,500	28,500
	60,970		Furniture	8,000	
Interest on Capital	<u>4,580</u>		Less: Depreciation	800	7,200
	65,550		Stock in Trade		6,000
Less: Drawings	<u>4,000</u>	61,550	Sundry Debtors	27,000	
Bills Payable		14,500	Less: Reserve for		
Sundry Creditors		12,500	Bad Debts	1,350	25,650
Outstanding Expenses		1,500	Bills Receivable		21,000
		-	Cash at Bank		1,700
		<b>90,050</b>			<b>90,050</b>

**Total Debtors A/c**

	<b>Amt. `</b>		<b>Amt. `</b>
To Balance b/f	24,000	By Bank	68,000
To Sales (Balance Figure)	80,850	By Bills Receivable	9,000
		By Discount allowed	450
		By Bad Debts	400
		By Balance c/d	27,000
	<b>1,04,850</b>		<b>1,04,800</b>

## Total Creditors A/c

	Amt. `		Amt. `
To Bank	40,000	By Balance b/f	15,000
To B/P	10,000	By Purchases (Bal. Fig.)	47,800
To Discount received	300		
To Balance c/d	12,500		-
	<b>62,800</b>		<b>62,800</b>

**Illustration: 19****(Analysis of Bank Statement Given)**

Mr. Manish, a retailer in Mumbai adds 25% to cost of goods sold to arrive at sales price. His financial position as on 30<sup>th</sup> June, 2011 was as under:

Plant/Machinery	50,000
Stock (at cost)	38,250
Debtors	71,750
Cash at Bank	22,000
Creditors	30,000
Loan from Vivek	20,000

During the year ended 30<sup>th</sup> June, 2012, Mr. Manish

- Paid rs 1,16,750 to creditors for goods.
- Repaid ` 5,000 of Vivek's Loan
- Purchased a typewriter ` 7,000.
- Withdrew ` 800 p.m. From Bank for domestic use.
- Paid into Bank Personal Lottery Prize of ` 3,000.
- Paid Income – Tax ` 6,000
- Sold goods on credit
- Spent business Expenses ` 9,000.

On 30.6.2012 stock at cost was ` 40,000, debtors totaled ` 70,000 and creditors were ` 35,000. On that date Bank balance was ` 19,500. Depreciate Plant and typewriter by 20% p.a.

Prepare Manish's Final Account.

(All your working be shown).

*(University Modified)*

**Solution:****Mr. Manish Balance Sheet as on 30<sup>th</sup> June 2011**

<b>Liabilities</b>	<b>Amt. `</b>	<b>Assets</b>	<b>Amt. `</b>
Capital (Balance Figure)	1,32,000	Plant and Machinery	50,000
Creditors	30,000	Stock	38,250
Loan from Vivek	20,000	Debtors	71,750
	<b>1,82,000</b>	Cash at bank	22,000
			<b>1,82,000</b>

**Total Debtors A/c**

	<b>`</b>		<b>`</b>
To Balance b/d	71,750	By Bank	1,47,850
To Sales	1,46,100	By Balance c/d	70,000
	<b>2,17,850</b>		<b>2,17,850</b>

**Total Creditors A/c**

	<b>`</b>		<b>`</b>
To Balance b/d	1,16,750	By Balance b/d	30,000
To Sales	35,000	By Purchases	1,21,750
	<b>1,51,750</b>		<b>1,51,750</b>

**Trading and P & L A/c**  
**For the Year Ended 30<sup>th</sup> June, 2012**

	<b>`</b>		<b>`</b>
To Opening Stock	38,250	By Sales	1,46,100
To Purchases	1,21,750	By Goods taken	
		For Personal use	3,120
To Gross Profit c/d	29,220	By Closing Stock	40,000
	<b>1,89,220</b>		<b>1,89,220</b>
To Business Expenses	9,000	By Gross Profit b/d	29,220
To Depreciation			
Plant and Machinery	10,000		
Typewriter	1,400		
To Net Profit	8,820		
	<b>29,220</b>		<b>29,220</b>

Balance Sheet as on 30<sup>th</sup> June, 2012

Liabilities		Amt. `	Assets		Amt. `
Capital	1,32,000		Plant and Machinery	50,000	
Add: Additional Capital	3,000		Less: Depreciation	<u>10,000</u>	40,000
Add: Net Profit	<u>8,820</u>		Typewriter	7,000	
	1,43,820		Less: Depreciation	<u>1,400</u>	5,600
Less: Drawings	9,600				
Less: Income tax	6,000				
Less: Goods	<u>3,120</u>	1,25,100			
Loan from Vivek	20,000				
Less: Repaid	<u>5,000</u>	15,000	Closing Stock		40,000
Creditors		35,000	Debtors		70,000
			Bank		19,500
		<b>1,75,100</b>			<b>1,75,100</b>

Difference in Trading A/c is assumed to be goods taken for personal use not recorded.

**Illustration: 20**

On April, 2011 Mr. Silgado bought for ` 50,000 a business whose asset and liabilities are shown below. The business carried on its operation in a rented shop from and it sold cosmetics and Confectionery. The business did not keep double-entry accounts. But you are provided with the following information.

**(i) Balance Sheet of the Company as on 31<sup>st</sup> March, 2011**

Liabilities	Amt. `	Assets	Amt. `
Capital Amount	50,000	Furniture & Fitting at Cost	30,000
Profit & Loss A/c	10,000	Stock at cost:	
Creditors		Cosmetics	5,000
Cosmetics	2,500	Confectionery	3,000
Confectionery	2,000	Sundry Debtors :	
Outstanding Rent	500	Confectionery	500
		Prepaid Rates & Insurance	2,500
		Balance with Bank	23,500
		Cash in hand	1,000
	-		
	<b>65,500</b>		<b>65,500</b>

**(ii) Analysis of the Bank Statements for the Year Ended March 31, 2012**

Paid in cash	2,45,000
Withdrawn for:	
Purchase of Cosmetics	1,00,000
Purchase of Confectionery	1,10,000
Repairs	4,000
Rent	6,000
Rates and Insurance	10,000
Electricity	4,000
Mr. Sligardo	15,000

**(iii) The Following were Paid in Cash**

Salaries	15,000
Confectionery Purchases	1,500
Trade Expenses	1,250
Cosmetics purchases	5,000

- (iv) Mr. Silgado had taken from the shop Cosmetics for his own consumption and paid into the business the cost price of ₹ 4,550.
- (v) The following are the gross profit percentages with reference to sales :
- Cosmetics 9%
- Confectionery 30%
- (vi) On 31<sup>st</sup> March, 2012 there were:

	Stock at cost	Debtors/Prepayments and cash	Liabilities
Cosmetics	4,850	Nil	2,000
Confectionery	3,500	1,000	3,000
Rent	-	-	500
Rates & Insurance	-	2,750	-
Cash on hand	-	250	-
Accountancy/Audit fees	-	-	2,000

- (vii) Mr. silgado has instructed you to regard any shortage in cash as being due to amounts withdrawn by him.

You are required to prepare:

- (a) The trading and Profit and Loss Account for the year ended March, 31.2012 showing separately the gross Profit from (i) Cosmetics and (ii) Confectionery.
- (b) The Balance Sheet as at march 31,2012
- (c) Total Debtors and Total Creditors Account and
- (d) An account in columnar form for cash

(IPCC Modified)

**Solution:**

Dr.		Total Debtors A/c		Cr.	
	Cosmetics	Confectionery		Cosmetics	Confectionery
To Balance b/d		500	By Cash A/c (balance figure)	1,10,000	1,59,500
To Sales	1,10,000	1,60,000	By balance c/d	-	1,000
	<b>1,10,000</b>	<b>1,60,500</b>		<b>1,10,000</b>	<b>1,60,500</b>

Dr.		Total Creditors A/c		Cr.	
	Cosmetics	Confectionery		Cosmetics	Confectionery
To Bank A/c	1,10,000	1,10,000	By Balance b/d	2,500	2,000
To Cash A/c	5,000	1,500	By Purchases A/c	1,04,500	1,12,000
To balance c/d	2,000	3,000	Balancing figure	-	-
	<b>1,07,000</b>	<b>1,14,500</b>		<b>1,07,000</b>	<b>1,14,500</b>

Dr.		Cash Book		Cr.	
	Cash	Bank		Cash	Bank
To balance b/d	1,000	23,500	By Creditors:		
To Drawing of goods & Sales (at cost)	4,550		Cosmetics	5,000	1,00,000
To debtors:			Confectionery	1,500	1,10,000
Cosmetics	1,10,000		By Bank A/c	2,45,000	
Confectionery	1,59,500		By repairs A/c		4,000
To Cash A/c		2,45,000	By Rent A/c		6,000
			By Rates & insurance A/c		10,000
			By Electricity A/c		4,000
			By Drawing A/c		15,000

			By Salaries A/c		
			By Trade	15,000	
			Expenses A/c	1,250	
			By Drawings A/c	7,050	
			(balance figure)		
			By Balance c/d	250	19,500
	<b>2,75,050</b>	<b>2,68,500</b>		<b>2,75,050</b>	<b>2,68,500</b>

### Trading & Profit & Loss A/c

Dr. For the Year Ended 31<sup>st</sup> March 2012Cr.

	Cosmetics	Confectionery		Cosmetics	Confectionery
To Opening			By sales A/c	1,10,000	1,60,000
Stock A/c	5,000	3,000	By Goods for	4,550	
To Purchases A/c	1,04,500	1,12,500	Personal use		
To Gross Profit A/c	9,900	48,000	By closing		
	-	-	Stock A/c	4,850	3,500
	<b>1,19,400</b>	<b>1,63,500</b>		<b>1,19,400</b>	<b>1,63,500</b>
To Salaries A/c		15,000	By Gross		
To Rates &			Profit b/d		
Insurance A/c		9,750	Cosmetics		9,900
(10,000 + 2,500 – 2,750)					
To Rent A/c			Confectionery		48,000
(6,000 + 500 – 500)		6,000			
To Repair A/c	4,000				
To Electricity A/c	4,000				
To Trade					
Expenses A/c	1,250				
To Audit fees A/c	2,000				
To Net Profit	15,900				-
	<b>57,900</b>				<b>57,900</b>

Balance Sheet as at 31<sup>st</sup> March, 2012

Liabilities		Amt. `	Assets		Amt. `
Capital (including Profit & Loss)	60,500		Fixture & Fittings		30,000
<i>Add:</i> Profit	15,900		Stock (4,850 + 3,500)		8,350
<i>Less:</i> Drawings (15,000 + 7,050)	<u>22,050</u>	54,350	Debtors		1,000
Creditors		5,000	Bank		19,500
Audit Fees		2,000	Cash		250
Rent outstanding		500	Prepaid Insurance		2,750
		<b>61,850</b>			<b>61,850</b>

## Illustration: 21

## (Closing balance of Cash, Creditors and Debtors not Given)

Thomas does not maintain his books on the Double Entry System and Bank Account, From the following information, prepare Profit and Loss Account And Balance Sheet as at June 30, 2012.

(A) Assets and Liabilities	30.6.2011 `	30.6.2012 `
Stock	19,800	1,13,200
Creditors	31,000	14,500
Debtors	1,18,000	1,25,000
Premises	90,000	90,000
Furniture	11,000	11,500
Air Conditioner	15,000	15,000

(b) Creditors as at 30.6.2011, include ` 15,000 for Purchases of Air Conditioner.

(c) Cash transaction:

Cash as at 1 <sup>st</sup> July, 2011	15,000
Collection from Customers	1,60,800
Payments to Creditors (Trade)	1,44,000
Rent, Rates and Taxes	11,500
Salaries	1,12,000
Sundry Expenses	18,000
Sundry Income	16,500
Drawings by Thomas	30,000

Loan from Mrs. Fernandes	23,000
Capital introduced	12,000
Cash Sales	11,500
Cash Purchases	15,000
Paid to Creditors for Air Conditioner	15,000
(d) Bad debts written off	1,200

(I.C.W.A., adapted)

**Solution:**

Dr.	Trading and Profit and Loss Account for the Year Ended 30.6.201				Cr.
To Opening Stock		19,800	By Sales :		
To Purchases :			- Cash	11,500	
- Cash	15,000		- Credit	1,69,000	1,80,500
- Credit	1,42,500	1,57,500	By Closing Stock		1,13,200
To Gross Profit c/d		1,16,400			
		<b>2,93,700</b>			<b>2,93,700</b>
To Salaries		1,12,000	By Gross Profit		1,16,400
To Sundry Expenses		18,000	b/d		
To Rent, Rates & Taxes		11,000	By Sundry Income		16,500
To Bad Debts		1,200	By Net Loss		9,800
		-	Carried to Capital A/c		-
		<b>1,42,700</b>			<b>1,42,700</b>

**Balance Sheet of Thomas as at 30.6.2012**

Liabilities			Assets	
Capital Account:	2,37,800		Premises	90,000
Balance b/d (opening)			Furniture	11,500
Add: Additional Capital	12,000		Air Conditioner	15,000
	2,49,800		Stock	1,13,200
Less: Net Loss	9,800		Sundry Debtors	1,25,000
	2,40,000			
Less: Drawing	30,000	2,10,000		

Loan		23,000	
Creditors		14,500	
Bank Overdraft		1,07,200	
		<b>3,54,700</b>	<b>3,54,700</b>

**Working Notes:**

## 1. Furniture Purchased:

Furniture on 30.6.2011 was ` 11,000 and on 30.6.2012 is ` 11,500. It is assumed that furniture worth ` 500 must have been purchased during the year and paid in cash.

## 2. Bad debts are written off i.e. are already to Sundry Debtors Account, hence not deducted once again from Closing Debtors but only shown only shown on the debit of the P&amp; L A/c.

## 3. Calculation of Cash/Bank balance

Dr.	Cash/Bank Account		Cr.
	-		-
<b>Receipts</b>		<b>Payments</b>	
To Balance b/d	15,000	By Creditors (Trade)	1,44,000
To debtors	1,60,800	By Rent, Rates and Taxes	11,500
To Sundry Income	16,000	By Salaries	1,12,000
To Capital Introduced	12,000	By Sundry Expenses	18,000
To Loan	23,000	By Drawings	30,000
To Sales	11,500	By Purchases	15,000
To Balance c/d	1,07,200	By Furniture	500
(balancing figure O.D.)	-	By Creditors	15,000
	<b>3,54,700</b>		<b>3,54,700</b>

## 4. Calculation of Credit Purchases

Dr.	Total Creditors Account		Cr.
	-		-
To Cash	1,44,000	By Balance b/d	31,000
To Cash (Air Conditioner)	15,000	Credit Purchases	1,42,500
To Balance c/d	14,500	(balance figure)	-
	<b>3,46,000</b>		<b>3,46,000</b>

## 5. Calculation of Credit Sales

Dr.	Total Debtors Account		Cr.
	`		`
To Balance b/d	1,18,000	By Cash	1,60,800
To Credit Sales	1,69,000	By Bad Debts	1,200
(balance figure)	-	By Balance c/d	1,25,000
	<b>2,87,000</b>		<b>2,87,000</b>

## 6. Calculation of Opening Capital

Dr.	Balance Sheet as on 1 <sup>st</sup> July, 1998		Cr.
	`		`
Sundry Creditors	31,000	Furniture	11,000
Capital Account on 1-7-98	2,37,800	Premises	90,000
(balance figure)		Air Conditioner	15,000
		Sundry Debtors	1,18,000
	-	Stock-trade	19,800
	<b>2,68,800</b>	Cash	15,000
			<b>2,68,800</b>

**Exercises****Theory Questions**

1. What is Single-entry System of Book- Keeping ?
2. Explain the main features of Single-entry System?
3. Stats the limitations of single-entry system.
4. Stats the procedure of calculating profit or loss under single-entry System?
5. How is the Single-entry converted into double entry?
6. What are the advantages and disadvantages of Single-entry?
  - (a) What is a statements of Affairs?
  - (b) What is the difference between a statements of Affairs and Balance Sheet?

**Net Worth Method**

1. MURTY STARTED A FIRM ON 1<sup>ST</sup> JAN, 2012 with a capital of ` 8,000. on 1<sup>st</sup> April 2012, he borrowed from his wife a sum of ` 4,000 @ 9%p.a. on 31<sup>st</sup> December, 2012 his assets and liabilities were :

Cash	600
Stock	9,400
Sundry debtors	7,100
Sundry creditors	4,200

Ascertain the profit or loss Murty during the year 2012. Murty had drawn ` 2,500 for his domestic use.

[Ans: Profit ` 3,130 capital as on 31.12.2012 ` 8,630]

[hint: it has been that interest on loan is outstanding]

2. Mr. Krishna keeps his books on single-entry system'. His position as on 31<sup>st</sup> Dec. 2011 was as follows:

Cash in hands ` 200; cash at bank ` 3,500; closing stock ` 10,200; sundry creditors ` 8,000; sundry debtors ` 10,500; plant and machinery ` 19,700; fixtures and fittings ` 3,400.

During the year he received ` 20,000 from LIC which he brought in his business. He withdrew for his personal expenses ` 800 p.m. further, his personal expenses amounting to ` 2,300 were paid from his business account. On 31<sup>st</sup> December, 2012 his position was as follows:

Cash in hand ` 260; bank overdraft ` 1,740; closing stock ` 13,800; sundry creditors ` 5,600; sundry debtors ` 15,700; plant and machinery ` 25,700; fixtures and fittings ` 4,000.

Prepare statement showing profit or loss made by him, for the year ended on 31<sup>st</sup> December, 2012.

[Ans: Profit ` 4,520; capital on 31.12.2012 ` 39,500; capital on 31.12.2012 ` 52,120]

3. Mr. A does not maintain double entry book of accounts. From the following details determine the profits for the year and prepare statement of affairs at the end of the year.

	<b>1.1.12</b>	<b>31.12.12</b>
Stock	40,000	60,000
Debtors	30,000	40,000
Cash	2,000	1,000
Bank	10,000	5,000
Creditors	15,000	25,000
Outstanding Expenses	5,000	8,000
Furniture	2,000	?

Depreciation @10% is to be charged on furniture. Mr. A has withdrawn ` 1,000 per month. ` 2,000 was invested by Mr. A in 2012. Bank balance on 1.1.12 is as per cash book, but the bank overdraft on 31.12.12 is as per bank statement. Cheques for ` 2,000 drawn in December, 2012 have not been encashed within the year.

[Ans: Profit ` 8,800; capital on 1.1.12 ` 64,000; capital on 31.12.12 ` 62,800 bank overdraft on 31.12.12 ` 7,000]

4. Following are the assets and liabilities of N and S on April 1, 2011 (N contributing one and half times of S's capital); Plant and Machinery ` 16,000; Stock ` 8,000; Debtors ` 16,000; Cash in hand and at bank ` 1,000; Trade Creditors ` 13,000. The position as on 31st March, 2012 was as follows: Cash in hand and at bank ` 1,600; Trade Creditors ` 20,200; Debtors ` 8,400; N's drawings during the year had been ` 3,000 and S had drawn ` 1,200. Besides this, N had withdrawn ` 4,000 on September 30, 1994 from his capital account. Depreciation Plant and Machinery by 10% and allow interest on capital at 5% p.a. Interest on drawings is to be ignored. N and S share profit and loss in the ratio of 3:2.

You are required: (i) to calculate net profit before interest on capital and net profit after interest on capital; and (ii) to prepare final statement of affairs showing capitals of N and S separately.

[Ans. Net loss: ` 6,250]

5. Ali keeps his books by single-entry. He gives you the following information from which he requires you to ascertain his profit or loss during 2011:

	1.1.2011	31.12.2012
Bank Balance	740cr	400
Cash In Hand	-	10
Sundry Debtors	5,300	8,800
Sundry Creditors	1,500	1,950
Stock	1,700	1,900
Plant	2,000	2,000
Furniture	140	140

Ali had withdrawn ` 3,000 during the year but had introduced fresh capital of ` 600 on 1<sup>st</sup> July 2012. A provision of 5% on sundry debtors is necessary. Write off depreciation on plant @5%. Interest on capital is to be allowed @ 5%p.a.

[Ans: Profit after on capital ` 5,900; capital as on 1.1.12 ` 6,900; capital as on 31.12.2012 ` 10,760]

6. Mr. Ramesh had ` 3,30,000 in the bank account on 1.1.2011 when he started his business. He closes his accounts on 31<sup>st</sup> march, 2012. His singly entry books showed his position as follows:

	31.3.2011	31.3.12
Cash In Hand	2,200	3,300
Stcok In Trade	20,900	31,900
Debtors	1,100	2,200
Creditors	5500	3300

On and from 1.4.2011, he began drawing ₹ 770 p.m. for his personal expenses from the cash box of the business. His account with the bank had the following entries

	Deposits	Withdrawals
1.1.11	33,000	
1.1.11 to 31.3.12		2,45,300
1.4.11 to 31.3.12	2,53,000	2,97,000

The above withdrawals included payment by cheque of ₹ 2,20,000 and ₹ 66,000 respectively during the period from 1.1.11 to 31.12.12 and from 1.4.11 to 31.12.12, for the purchase of machineries for the business. The deposits after 1.1.11 consisted whole of sale price received from the customers by cheques.

Drawn up Mr. Ramesh statement of affairs as at 31.3.11 and 31.3.12 respectively and work out his profit or loss for the year ended 31.3.12.

[Ans: profit ₹ 46,640; capital as on 31.3.11 ₹ 3,23,400 capital as on 31.3.12 ₹ 3,60,800 loss from 1.1.11 to 31.3.12 ₹ 5,060.]

7. Sethi had declared an income ₹ 26,000 during 2011 and 2012. The income tax Officer thinks that Sethi has not disclosed his income fully. He asks for your assistant over to find out whether his impression is correct. Sethi owed, on December 31, 2011 a dwelling house valued at ₹ 5,000 and had in his firm, a capital of ₹ 60,000. He also had ₹ 5,000 in his private Saving Bank Account. He owed ₹ 10,000 to his brother. It is established that besides the dwelling house, Sethi's assets and liabilities on 31<sup>st</sup> December, 2012 were:

Cash At Bank	1,700
Saving Bank Account	7,800
Stock	25,000
Sundry Debtors	35,000
Furniture & Fixtures	6,000
Motor Car	16,000
Sundry Creditors	20,000
Expenses Payable	600

The loan to his brother is no longer outstanding. His living expenses have been @ ₹ 1,000 p.m. Besides, he reported that he made a gift of ₹ 1,500 to his niece on her marriage.

What advice will you give to the Income Tax Officer?

[Ans: Total income for two year ₹ 41,400 capital as on 31.12.11 ₹ 1,05,000 capital as on 31.12.12 ₹ 1,20,900]

8. The balance sheet of Key, Tai and chung on 31<sup>st</sup> December 2011 was a s follows:

**Balance Sheet as at 31<sup>st</sup> December, 2011**

	`		`
Sundry Creditors	25,300	Cash	5,400
Expenses Payable	800	Stock At Cost	41,000
Loan From Tai	10,000	Sundry Debtors	27,900
Capitals:		Furniture & Fixtures	6,100
Kye	20,000	Current Account	
Tai	15,000	Key	1,500
Chung	10,000	Chung	1,100
Tai's Current Account	1,900		2,600
	<b>8,300</b>		<b>8,300</b>

Profits were shared by the partners is in the ratio of Kye 4/10, Tai 3/10 and Chung 3/10. On 31<sup>st</sup> December, 2012 the various assets and liabilities of the firms were as follows:

	`		`
Cash	4,700	Sundry Creditors	27,000
Stopck	45,200	Expenses Prepaid	240
Sundry Debtors	31,400	Loan From Tai	10,000
Furniture & Fixtures	5,660		

The partners had drawn: ` 6,000 by Kye. ` 5,000 by Tai and ` 4,000 by Chung. Prepare the balance Sheet of the firm at the end of 2012.

[Ans: current accounts: Kye ` 620 (cr.) Tai ` 3,590 (cr) and Chung ` 990 (cr). total of balance shee ` 87,200 it has been assumed that interest on Tai's loan @ 6% ` 600 is outstanding]

9. Narendra, who keep his books by single-entry, has submitted returns to the income Tax Authorities showing his income to be as follows :

Year ending dec. 31. 1999	7,350
Year ending dec. 31. 2000	7400
Year ending dec. 31. 2001	7,870
Year ending dec. 31. 2002	13,570
Year ending dec. 31. 2003	12,140
Year ending dec. 31. 2004	9,260

The Income Tax Officer is not satisfied as to the accuracy submitted. You are instructed to assist establishing their correctness, and for that purpose you are supplied with the following information:

- (a) Business liabilities and assets as 31st dec.1998 were, debtors ` 1,450, cash at bank and in hand ` 9,470; stock ` 5,420; credito` 7,320.
- (b) Narendra owed his brother ` ,4,000 on 31st dec, 1998. on 15th feb. 2001. He repaid this amount, and on 1st jan, 2004 he lent his brother, ` 3,000
- (c) Narendra owns a house, which he purchased in 2004 for ` 20,000 and a car which he purchased in 2000 for ` 7,500. in 2003 he brought ` 10,000 shares in X Ltd, for ` 7,500.
- (d) In 2004 ` 3,000 was stolen from his house.
- (e) Narendra estimates that his living expenses have been 1999: ` 3,000; 2000 ` 4,000; 2001 ` 6,000; 2002, 2003 and 2004 ` 7,000 p.a. Exclusive of the amount stolen.
- (f) On31st dec. 2004 the business liabilities and assets were creditors ` 8,400; debtors ` 5,920; cash in hand and at bank ` 19,450, and stock ` 6,740.

From the information submitted above prepare a statement showing whether or not the income declared by Narendra is correct.

[Ans: total capital on 31.12.1998 ` 23,936; Total capital on 31.12.2004 ` 60,025]

#### Conversion Method:

10. Calculate credit sales from the following figures:

	`		`
Opening Balance of Debtors	20,000	Discount Allowed	4,000
Cash Received Form Debtors	95,000	Closing Balance of Debtors	18,000
Bad Debts Written Off	2,000		

11. Calculate credit purchase from the following information :

	`		`
Opening Balance of Creditors	15,000	Discount Received	3,000
Cash Paid To Creditors	80,000	Closing Balance of Creditors	18,000
B/R Endorsed To Creditors	7,000		

[Ans: Credit Purchase: ` 93,000]

12. Calculate closing stock from the following figures:

	`		`
Opening Stock	12,000	Sales	60,000
Purchases	70,000	Sales Returns	2,000
Purchases Returns	5,000	Gross Profit Rate On Cost	25%

13. Akbar did not keep proper books of account. However, he gives you the following information relating to 2012:

Assets And Liabilities	1st Jan 2012	31st Dec 2012
Cash At Bank	1,000	1,800
Stock	20,000	19,500
Sundry Debtors	15,000	16,000
Machinery	40,000	?
Sundry Creditors	20,000	18,500

Opening Balance	1,000	Payment To Creditors	35,000
Received From Debtors	76,500	Wages	15,100
Cash Sales	8,200	Salaries And Expenses	11,600
Sale Of Old Newspaper	200	Building Purchased	20,000
Loan From Mrs. Akbar (@9% On 1st Oct 2012)	6,000	Drawings	8,400
		Closing Balance	1,800
	<b>91,900</b>		<b>91,900</b>

During the year ` 600 had to be written off as bad. Machinery is to be depreciated @15% p.a. Expenses owing are ` 800. Prepare Akbar's trading and profit Account and balance sheet relating to 2012.

*[CS Inter Modified]*

[Ans: Gross profit, ` 37,200, net profit ` 18,265; total of balance sheet ` 91,300 Credit sales ` 78,100; credit Purchase ` 33,500]

14. Mohan's books, kept on the single-entry System, Reveal the following:

Assets And Liabilities	1st July 2011	30th June 2012
Stock	18,000	17,300
Debtors	16,000	14,800
Bills Receivable	6,200	4,800
Bills Payable	5,000	5,600
Sundry Creditors	10,000	93,000
Cash At Bank	2,500	1,800

## Summary of Cash Transactions

Receipts	₹	Payments	₹
Opening Balance	2,500	Payments To Creditors	20,000
Received From Debtors	35,000	Payments Against Bills Payable	15,000
Received Against Bills Receivable	15,600	Office Expenses	6,000
Miscellaneous	300	Domestic Expenses	4,000
		Investments	6,600
		Closing Balance	1,800
	<b>53,400</b>		<b>53,400</b>

Investments consisted of 4% Government Bonds of the face value of ₹ 8,000 and were purchased on 1<sup>st</sup> Jan 2012. Prepare Trading and profit and loss Account and Balance Sheet from above figures.

*[ICWA Inter Modified]*

[Ans: Gross Profit, ₹ 12,400, Net Profit, ₹ 6,860, Total of Balance Sheet ₹ 45,460]

15. Desai wants to ascertain the profit he earned during 1998 and his balance sheet at the end of the year. He does not keep systematic books of account and can give you only the following information:

Assets And Liabilities	Dec 31.1997	Dec 31.1998
Sundry Debtors	45,000	48,600
Sundry Creditors	2,400	?
Cash	6,300	?
Furniture And Fixtures	11,000	13,600
Stock At Cost	25,000	30,000
<b>Transactions During 1998:</b>		₹
Cash Received From Debtors		80,000
Discount Allowed To Them		1,400
Bad Debts Written Off		1,800
Cash Paid To Creditors		64,000
Goods Returned By Customers		3,000
Goods Returned To Suppliers		2,000
Expenses Paid		5,200
Drawings		9,000

He still owes ₹ 800 for expenses and the depreciation on furniture & fixtures is 15%. He affirms that he always sells goods at cost plus 40%. A provision of 2.5% on debtors is required against bad debts. Help Desai. [CA Inter]

[Ans: Gross profit ₹ 24,800; net profit ₹ 13,770; Total of Balance Sheet ₹ 95,870]

16. The books of Moneymaker showed the following figures:

	31.12.11	31.12.12
Cash At Bank	3,500	8,500
Cash In Hand	410	850
Stock On Trade	22,500	25,500
Sundry Debtors	18,000	?
Sundry Creditors	8,000	7,300
Bills Payable	20,000	18,000
Furniture And Fittings	5,000	?
Outstanding Salary	200	?

The cash book analysis showed the following figures amongst others:

Receipts From Customers	1,05,000	Drawings	6,000
Discount Allowed To Customers	1,300	Payments To Creditors	19,000
Salary Up To 31.12.12	2,600	Discount Received From Creditors	2,600
Rent	3,600	Payment For Bills Payable	80,000
Sundry Trade Expenses	8,500		
Furniture Purchased On 1.7.12	1,000		

Depreciation is provided on furniture and fittings @ 10p.a. no figures are available for total sales. However, Moneymaker informs you that he maintains a steady gross profit rate of 25% on sales.

Prepare Moneymaker's Trading and Profit and loss Account for the year ended 31<sup>st</sup> December, 2012 and the balance sheet as at date.

*[CIMA London Modified]*

[Ans: Net profit: ` 18,217; Total of balance Sheet ` 58,727; Closing Balance of Drs ` 18,427; Furniture and fittings after depreciation ` 5,450; credit purchase of ` 98,900; opening capital ` 21,210]

17. Calculate total sale from the following information:

Bills Receivable On 1st January 2012	7,800
Debtors On 1st January 2012	30,800
Cash Received On Maturity Of Bills Receivable During The Month	20,900
Cash Received From Debtors	70,000
Bad Debts Written Off	4,800
Returns Inwards	8,700

Bills Receivable Dishonored	1,800
Bills Receivable On 31st January 2012	6,000
Debtors On 31st January 1998	25,500
Cash Sales ,During The Months	15,900

[CS Inter Modified]

[Ans: Credit Sales ` 97,300 B/R drawn during the year ` 20,900; total sales ` 1,13,200]

18. The balance Sheet of Bose and Dass was as under on 31<sup>st</sup> december 2011.

Liabilities			Assets	
Sundry Creditors		11,600	Stock	15,000
Bills Payable		4,300	Debtors	16,100
Capitals :			Furniture	4,000
Bose	20,000		Delivery Van	13,000
Dass	15,000	35,000	Cash At Bank	2,800

The transactions during 2012 were:

Purchases	30,000	Bills Payable Issued	7,000
Sales	50,000	Discount Received	500
Bills Receivable Received	6,000	Discount Allowed	800

The stock on 31<sup>st</sup> Dec, 2012 was ` 18,200. cash transactions were as follows:

Received From Debtors	45,000
Received Against B/R	4,500
Received From Sale Of Old Gunny Bags	200
Payment To Creditors	21,500
Payment Against B/P	8,000
Expenses (Including Salaries)	10,000

The balance at Bank on 31<sup>st</sup> Dec 2012 was ` 4,500 delivery van is to be depreciated @ 15%. During the year both partners had withdrawn an equal sum of money. Allowing a commission of 10% of net profits before such commission to the manager, prepare Trading and profit and loss Account and Balance Sheet relating to 2012.

[IPCC Modified]

[Ans: Gross Profit, ` 23,200, Net profit ` 10,035; Total of Balance Sheet ` 53,550; Drawings ` 8,500]

19. Balance Sheet of Mr Roy As On 31<sup>st</sup> December 2011 is as Follows

<b>Liabilities</b>		<b>Assets</b>	
Creditors	41,710	Bank	31,230
Accruals	1,870	Debtors	62,300
Capitals	1,30,720	Stock	41,670
		Fixtures	21,600
		Machinery at Cost	17,500
	<b>1,74,300</b>		<b>1,74,300</b>

Following Information is disclosed by the Books:

<b>Particulars</b>	<b>For The Year Ended 31-12-2012</b>
Cash Received From Debtors	74,320
Cash Paid Expenses	18,480
Creditors	32,690
Drawings	9,200
Sales	83,100
Purchases	42,300
Bad Debts	2,700
Expenses Outstanding	1,730

Stock In Trade was take N 31<sup>st</sup> December 2005 Aat ` 12,900. Depreciation is to be Provided on Machinery at 20% p.a. on Original Cost.

You are Required to Prepare Trading and Profit and Loss Account For The Year and The Balance Sheet As On 31<sup>st</sup> December 2012.

*[CIMA London Modified]*

20. Mr Mark Does Not Maintain Proper Boos of Accounts from the Following, Prepare Trading and Profit and Loss Account for the Year Ended 31<sup>st</sup> March, 2010 at Balance Sheet

<b>Particulars</b>	<b>31-3-2009 `</b>	<b>31-3-2010 `</b>
Debtors	31,500	43,750
Stock	17,150	23,100
Cash And Bank	8,750	?
Creditors	10,500	7,875
Furniture	3,000	3,500
Plant And Machinery	55,000	55,000
Land And Building	1,40,000	1,40,000

Analysis of The Other Transaction Are:

<b>Particulars</b>	
Cash Collected From Debtors	1,07,000
Cash Paid To Creditors	77,000
Salaries	21,000
Rent	2,700
Office Expenses	3,150
Drawings	5,000
Fresh Capital Introduced	3,500
Cash Sales	3,000
Cash Purchases	8,800
Discount Received	1,225
Discount Allowed	525
Return Inward	1,750
Return Outward	1,400
Bad Debts	350

- (a) Depreciate Plant & Machinery By 2%, Land & Building By 5% And Furniture By 10% .  
 (b) Office Expenses Are Prepaid rs 150 on 31<sup>st</sup> March 2010.

*[ICWA Inter Modified]*

21. Bose Supplies To You the Following Information:

<b>Particulars</b>	<b>1<sup>st</sup> Jan 2012</b>	<b>31<sup>st</sup> Dec 2012</b>
Sundry Debtors	18,100	19,300
Stock	15,000	14,000
Machinery	25,000	?
Furniture	4,000	?
Sundry Creditors	11,000	12,500

Cash Transaction for 2012:

<b>Receipts</b>		<b>Payments</b>	
Opening Balance	500	Payment To Creditors	35,000
Cash Sales	6,100	Wages	16,000
Received From Debtors	75,300	Salaries	15,000
Miscellaneous Receipts	200	Drawings	4,000
Loan From Dass (@ 9% On 1 <sup>st</sup> July)	10,000	Expenses	11,000
		Machinery Purchased (1 <sup>st</sup> July)	9,500
		Closing Balance	1,600
	<b>92,100</b>		<b>92,100</b>

Discount Allowed Were ` 700 And Discount Received Were ` 400. Bad Debts Written off Were 800. Depreciation is to be Written off Furniture @ 5% And Machinery @ 10%. Expenses Include Insurance @ ` 500 P.A Pad Up to 31<sup>st</sup> March 2013, Wages ` 2,000 Are Still Due.

Prepare Trading And Profit And Loss Account And Balance Sheet Relating To 2012. [CA Inter Modified]

22. Akbar Did Not Keep Proper Books Of Account. However He Gives You the Following Information

<b>Assets And Liabilities</b>	<b>1<sup>st</sup> Jan 2012 `</b>	<b>31<sup>st</sup> Dec 2012 `</b>
Cash At Bank	1,000	1,800
Stock	20,000	19,500
Sundry Debtors	15,000	16,000
Machinery	40,000	
Sundry Creditors	20,000	18,500

#### Cash Transaction

<b>Receipts</b>	<b>`</b>	<b>Payments</b>	<b>`</b>
Opening Balance	1,000	Payment To Creditors	35,000
Received From Debtors	76,500	Wages	15,100
Cash Sales	8,200	Salaries And Expenses	11,600
Sale Of Old News Paper	200	Building Purchased	20,000
Loan Form Mr Akbar (@ 9% On 1 <sup>st</sup> Oct 2012)	6,000	Drawings	8,400
		Closing Balance	1,800
	<b>91,900</b>		<b>91,900</b>

During the year ` 600 had to be written off a bad. Machinery is to be depreciated @ 15 % P.A. expenses owing are 8%

Prepare Akbars Trading And Profit And Loss Account And Balance Sheet Relating To 2012. [CS Inter]

23. Mahon Books Kept Single-entry System Reveal The Following:

<b>Assets And Liabilities</b>	<b>1<sup>st</sup> July 2011 `</b>	<b>30<sup>th</sup> June 12 `</b>
Stock	18,000	17,300
Debtors	16,000	14,800
Bills Receivable	6,200	4,800
Sundry Creditors	10,000	9,300
Cash At Bank	2,500	1,800
Bills Payable	5,000	5,600

## Cash Transaction

Receipts	₹	Payments	₹
Opening Balance	2,500	Payment To Creditors	20,000
Received From Debtors	35,000	Payment Against Bills Payable	15,000
Received Against Bills Receivable	15,600	Office Expenses	6,000
Miscellaneous	300	Domestic Expenses	4,000
		Investments	6,600
		Closing Balance	1,800
	<b>53,400</b>		<b>53,400</b>

Investment Consisted of 4% Government Bonds of The Face Value of ₹ 8,000 and were Purchased On 1<sup>st</sup> Jan 2012. Prepare Trading and Profit and Loss Account and Balance Sheet.

24. The Following Information is available From the Records of Vilasrao.

Particulars	As On 31-12-2012	As On 31-12-2011
Plant And Machinery	60,000	50,000
Bank Balance	40,000	60,000
Debtors	40,000	30,000
Creditors	30,000	25,000
Loan Taken	5,000	6,000
Closing Stock	15,000	17,000

The Following Transaction has Been Taken Place in The Calendar Year 2012.

Additional Capital Introduced - ₹ 5,000

Drawings during the Year - ₹ 20,000

Plant Purchased During The Year on 1<sup>st</sup> Jan, 2012 was ₹ 10,000. Provide Depreciation on Plant @ 25% on W.D.V

Compute Profit/Loss of Mr Vilasrao for The Year Ended 31-12-2012.

*[CS Inter Modified]*

25. Mr. Nagpal submits to you the following relating to his business for the year ended 31<sup>st</sup> December 2012. you are required to prepare Trading and profit and loss accounts for the year ended 31<sup>st</sup> December, 2012 and a balance sheet as on that date.

Any difference in cash book as to be taken as his personal drawing:

Deposits in to bank	₹
Personal dividend paid into business a/c	26,700
Personal payment out of bank	600
Payments to creditors	2,250

Withdrawn for bank	23,850
Withdrawn from debtors	23,250
Received from debtors	3,900
Paid from wages	1,800
Paid for delivery charges	600
Paid for rent	405
Paid for general expenses	750
Interest credited by bank	30

## Assets and Liabilities:

	1.1.12 `	31.12.12 `
Stock	1,800	2,250
Balance	2,400	3,000
Cash	90	60
Debtors	2,250	3,150
Creditors	3,600	4,200

(Ans. G.P. ` 8,100; N.P. ` 4,575; Balance sheet total ` 8,460; difference in cash book ` 1,605)

26. Mr. bholenath does not maintain proper books of accounts. From the following information, prepare Trading and p & l a/c for the year ended 31<sup>st</sup> December, 2012 and balance sheet as on that date:

Assets & Liabilities	1.1.12 `	31.12.12 `
Debtors	9,000	12,500
Stock	4,900	6,600
Furniture	750	750
Creditors	3,000	2,250

## Analysis of other transaction

Cash collected from debtors	30,400
Cash paid to creditors	22,000
Salaries	6,000
Rent	750
Office experience	900
Drawing	1,500
Fresh capital introduced	1,000
Cash sales	750
Cash purchases	2,500

Discount received	350
Discount allowed	150
Returns inward	500
Returns outward	400
Bad debts	100
Cash at the beginning of the year	2,500

(Ans. G.P. ` 12,500; ` 4,950; B/s total ` 20,850. it is assumed that furniture is purchase on credit basis)

27. You are required to prepare trading and P & L A/c for the year ended 31.12.12 and the balance sheet at that date from the following information:

(a) Assets & Liabilities

Assets & liabilities	31 <sup>st</sup> December 2011 `	31 <sup>st</sup> December 2012 `
Bank balance	Not available	20,000
Debtors	15,000	16,000
Creditors	5,000	8,000
Stock	15,000	20,000
Fixed asset	30,000	30,000

(b) Sundry debtors on 31.12.12 include bad debtors ` 1,000.

(c) Fixed assets include property rented out for which rent of ` 500 was received for the year and utilised for personal use.

(d) Repairs to premises amount to ` 600 which remained unpaid on 31.12.12

(e) All sales receipts were banked after meeting business expenses of ` 5,000 and personal experience of ` 3,000.

(f) All business payments are made by cheques.

(g) Cash purchases and cash sales amounted to ` 1,000 and ` 2,000 respectively.

(h) Account with bankers reveals that withdrawals amounted to ` 70,000 and deposits ` 90,000 for the year.

(Ans. G.P. ` 31,000; N.P. ` 24,900; B/S total ` 85,000)

28. Ranbow co.carried on a business without maintaining a proper set of books of accounts. An analysis of its cash book revealed the following figures for the year ended 30.6.2012.

Analysis of cash book:

Particulars	Amt `	Particulars	Amt `
Paid for credit purchase	1,34,000	Other payments:	
Received for credit sales	1,55,000	Salaries	20,000
Received for cash sales	21,050	Rent paid up to May 2012	

Further capital introduced	10,000	for the months	6,000
Purchases of furniture	21,050	Sundry Experience	2,500
(on 1 <sup>st</sup> April 2012)	2,000	Electric charges	3,000
Purchases of investment		Drawings	8,000
(on 1 <sup>st</sup> April, 2012)	10,000	Motor car Upkeep	2,375

The following further information is given to you:

	As on 30.6.2011 `	As on 30.6.2012 `
Cash in hand and at bank	2,905	-
Stock-in-trade	22,500	31,255
Sundry Debtors	15,800	17,900
Sundry creditors	10,550	13,755
Furniture (depreciation @ 5%)	10,000	-
Motor car (depreciation @ 15%)	15,000	-

Bad debts during the year amounted to ` 400. discount allowed was ` 250 and discount received was ` 125. Provision should be created on sundry debtors at @5 % on 30<sup>th</sup> June, 2012 salaries were outstanding to the extent of ` 2,550, while advance of salary amounts to ` 1,500. The rate of interest on investment is 6%.

Prepare trading and profit and loss account of rainbow co. for the year ended 30<sup>th</sup> June, 2012 and the balance sheet as on that date.

(Ans. Opening capital ` 55,155; gross profit ` 50,725; net profit ` 13,230; B/S total 87,190)

29. Atma charan keeps his books by single-entry and the position of his business as on 1<sup>st</sup> January, 2012 is as follows:

Particulars	`
Capital	70,000
Sundry Creditors	10,000
Bills Payable	7,000
Freehold Premises	50,000
Stock	25,000
Debtors	15,000
Furniture	2,000
Bills Receivable	5,000

His transaction during the year were as follows :

Receipts	Amt. `	Payments	Amt. `
Sundry Debtors & Bills Receivable	15,000	Bank Overdraft (as on 1.1.2012)	10,000
Cash Sales	80,000	Drawings	23,000
		Expenses	5,000
		Payments to Creditors & Bills Payable	20,000
		Balance: Cash in hand	2,000
		At Bank	35,000
	<b>95,000</b>		<b>95,000</b>

You are asked to prepare a trading and P & L A/c for the year ended 31.12.2012 and a balance sheet as on that date. The following additional information is supplied :

Closing stock ` 30,000; closing Debtors ` Bills Receivable ` 5,000. No additional has been made during the year to freehold premises and furniture but they are to be depreciated as under :

Freehold Premises 10% and Furniture 15%.

A bad and doubtful debts provision at 2 ½ % is to be raised against closing debtors.

There were balance of bills payable account ` 3,000 and creditors account ` 4,000. Expenses were outstanding to ` 200.

*(IPCC Modified)*

(Ans. G.P. ` 95,000; N.P. ` 84,000; B/S total ` 1,38,200)

(Hint: Prepare combined account for B.R. And for BP and creditors ).

30. From the following particulars, prepare a trading and profit and loss account for the year ended 30<sup>th</sup> June 2012 and Balance Sheet as on that date:

(a) Assets and Liabilities:

Particulars	1.7.2011 `	30.6.2012 `
Furniture	8,000	9,000
Stock	10,000	9,000
Debtors	20,000	?
Creditors	14,000	18,000
Unpaid experience	2,200	2,000
Cash at book	1,800	1,225

(b) Receipts and Payments during the year:

Receipts from debtors	1,17,000
Creditors paid	78,400
Freight paid (Inward)	6,000
Furniture purchases	1,800
Expenses paid	29,000
Miscellaneous Receipts	5,000

(c) Goods costing ` 2,000 were used as advertising materials.

(d) Goods are sold to show profit  $33 \frac{1}{3}$  % on sales.

(e) Difference in Bank, if any, is to be treated as drawing or introduction by the proprietor.

*(CIMA London Modified)*

(Ans. G.P. ` 43,700; N.P. ` 17,100; B/S total ` 53,325; Sales ` 1,31,100; debtors ` 34,100)

### Objective Question

1. Test your understanding by selecting the most appropriate alternative:
  - (i) Capital in the beginning of the year is ascertained by the preparing:
    - (a) Cash account
    - (b) Opening statement of affairs
    - (c) Total debtors
  - (ii) Capital at the end of the year is ascertained by the preparing:
    - (a) Cash account
    - (b) Closing statements of affairs
    - (c) Total creditors A/c
  - (iii) Opening Stock can ascertained by the preparing:
    - (a) Memorandum Trading A/c
    - (b) Total creditors A/c
    - (c) Opening statements of affairs
  - (iv) Closing balance on creditors A/c can be ascertained from:
    - (a) cash account
    - (b) Total creditors Account
    - (c) Balance Sheet at the end of the year

- (v) Credit Sale can be ascertained from:
    - (a) Cash account
    - (b) Total debtors Account
    - (c) Balance Sheet
  - (vi) If the rate of gross profit is 25% on sales and the cost of goods sold is ` 1,00,000 the gross profit will be :
    - (a) ` 25,000
    - (b) ` 33,333
    - (c) ` 28,000
2. State whether the following statements are true or false:
- (i) Limited companies also can adopt single-entry system.
  - (ii) Single-entry system is suitable to small organization.
  - (iii) Trial Balance can be prepared under single-entry system.
  - (iv) National accounts are maintained under single-entry system.
  - (v) Statements of affairs shows financial position on a certain date under single-entry system.

