

NCERT Solutions for Class 11 Accountancy Financial Accounting Part-2 Chapter 3

Accounts from Incomplete Records Class 11

Chapter 3 Accounts from Incomplete Records Exercise Solutions

Short answers : Solutions of Questions on Page Number : 464

Q1 :

State the meaning of incomplete records?

Answer :

Accounts that are **not** recorded as per the double entry system are known as incomplete records. According to Kohler (*Dictionary for Accountants*), single entry system is defined as, " *A system of book-keeping in which as a rule, only records of cash and of personal accounts are maintained; it is always incomplete double entry, varying with circumstances.*"

Many small-sized business firms maintain incomplete records of their business transactions. They do **not** maintain proper books of accounts and mainly prepare books like, Cash Book, personal accounts (of debtors and creditors) and Balance Sheet at the end of the year. They maintain books as per their needs. This system is also known as defective double entry system. The preparation of financial statements is neither as easier nor as effective, as it is under double entry system. Consequently, accurate profit or loss is **not** possible to ascertain.

Answer needs Correction? [Click Here](#)

Q2 :

What are the possible reasons for keeping incomplete records?

Answer :

The possible reasons for keeping incomplete records are:

1. Simple method: Proprietors, who do **not** have the proper knowledge of accounting principles, find it much convenient and easier to maintain their business records under this system.

2. Less time consuming: Maintaining books according to the single entry system is less time consuming, as only few books are to be maintained. Further, the books are **not** as comprehensive as they are under double entry system.

3. Less expensive: It is an economical mode of maintaining records, as there is **no** need to appoint specialised accountant.

4. Flexible: Owner may record transactions as per his/her own needs. It can be easily adjusted or changed whenever needed.

Answer needs Correction? [Click Here](#)

Q3 :

Distinguish between statement of affairs and balance sheet.

Answer :

Difference between Statement of Affairs and Balance Sheet

| Basis of Difference | Statement of Affairs | Balance Sheet |
|----------------------------|--|--|
| Objective | It is prepared to determine the amount of capital at a particular date. | It is prepared to ascertain the true financial position. |
| Reliability | It is based on estimates; hence, it is less reliable. | It is based on sophisticated and well developed principles; hence, it is more reliable. |
| Accounting Method | It is prepared from incomplete records of business transactions under single entry system. | It is prepared when accounts are maintained under double entry system. |
| Omission | Omission of assets and liabilities cannot be easily identified. | Omission of assets and liabilities can be easily identified, as omission will lead to mismatch of either sides of the balance sheet. |

Answer needs Correction? [Click Here](#)

Q4 :

What practical difficulties are encountered by a trader due to incompleteness of accounting records?

Answer :

The following are the difficulties that are encountered by a trader due to incompleteness of accounting records.

- 1. Accuracy of accounts:** Arithmetical accuracy of accounts can **not** be ascertained, since proper records of accounts are **not** maintained. Consequently, Trial Balance **cannot** be prepared.
- 2. Encourages fraud:** As the arithmetical accuracy **cannot** be determined; so, this encourages fraud and provides sufficient scope for bluffing and carelessness.
- 3. Difficult to ascertain correct profit or loss:** Since all expenses and income are **not** recorded, true profit or loss **cannot** be correctly ascertained.
- 4. Difficult to analyse the true financial position:** As profit or loss **cannot** be ascertained easily, so the Balance Sheet cannot be easily prepared. Hence, the absence of Balance Sheet will **not** reflect the true financial position of the business.
- 5. Difficulty in comparison:** Due to the incomplete records and **non-availability** of previous years' data, comparison is **not** possible. By the same token, comparisons with other firms are also **not** possible.
- 6. Unacceptable to tax authorities:** It does **not** reflect the true and acceptable presentation of expenses and revenues. Hence, these are **not** acceptable by the tax authorities.
- 7. Raising funds:** Since analysis of solvency, profitability and liquidity of business **cannot** be done, it is difficult to raise fund from outside.

Answer needs Correction? [Click Here](#)

Long answers : Solutions of Questions on Page Number : 464

Q1 :

What is meant by a 'statement of affairs'? How can the profit or loss of a trader be ascertained with the help of a statement of affairs?

Answer :

A Statement of Affairs resembles Balance Sheet; however, it is **not** called a Balance Sheet. The statement of affairs is a Statement of Assets and Liabilities. The main difference between a Statement of Affairs and a Balance Sheet is that while the former is prepared on the basis of physical counts and improper source documents, the latter is prepared purely on the basis of ledger accounts. Thus, the authentication and relevance of the latter is guaranteed. The excess of assets over liabilities (i.e., balancing figure) is denoted as the capital of the firm. The performance of the statement of affairs is presented below.

Statement of Affairs as on...

| Liabilities | Amount Rs | Assets | Amount Rs |
|---|----------------------|--|----------------------|
| Bills Payable | - | Land and Building | - |
| Creditors | - | Plant and Machinery | - |
| Outstanding Expense | | Furniture | |
| Capital (Balancing Figure) [@] | | Stock | - |
| | | Debtors | - |
| | | Cash and Bank | - |
| | | Prepaid Expenses | - |
| | | Capital- <i>Deficiency</i> (Balancing Figure, if any) [*] | |
| | | | |
| | | | |

* When liabilities are more than assets, then the balancing figure is denoted by Capital-*Deficiency* in the assets side of the statement of affairs.

@ When the assets' balance exceeds liabilities' balance, the balancing figure is denoted by Capital in the liabilities side of the statement of affairs.

For ascertaining profit or loss, if capital in the beginning is **not** given, then opening statement of affairs is prepared in order to calculate the capital in the beginning. Once the opening capital and closing capital is calculated, a Statement of Profit or Loss is prepared to determine the amount of profit earned or loss incurred during the accounting period.

Statement of Profit or Loss for the year ended.....

| Particulars | Amount Rs |
|--|----------------------|
| Closing capital at the end of the year | - |
| <i>Add:</i> Drawings made during the year | - |
| <i>Less:</i> Additional capital introduced during the year | - |
| Adjusted capital at the end of the year | - |

| | |
|--|---|
| Less: Capital in the beginning of the year | - |
| Profit (Loss) for the year | - |
| (Balancing figure) | |

Answer needs Correction? [Click Here](#)

Q2 :

Is it possible to prepare the profit and loss account and the balance sheet from the incomplete book of accounts kept by a trader'? Do you agree? Explain.

Answer :

The Profit and Loss Account and the Balance Sheet can be prepared from the incomplete book of accounts through Conversion Method. According to this method, incomplete records are converted into double entry records. In case of incomplete records, details of some transactions are easily available like cash sales, cash purchases, creditors, debtors; however, there are number of transactions, the details of which may **not** be available directly. Yet, these details can be found out indirectly or logically. Some of the important items that are vital for preparing Balance Sheet are given below.

1. Opening Capital
2. Closing Capital
3. Credit Purchases
4. Cash Purchases
5. Credit Sales
6. Cash Sales
7. Payment from Debtors
8. Payment to Creditors
9. Opening Stock
10. Closing Stock

Below given are the steps included in the conversion method in a chronological order.

1. If opening capital is **not** given, then the first step is to prepare opening Statement of Affairs that gives the Opening Capital.
2. The second step is to prepare Cash Book that gives the opening or the closing cash and bank balance.
3. The next step is to prepare Total Debtors Account. It is prepared in order to find out one of the missing figures, such as credit sales, opening debtors, closing debtors and cash received from debtors.
4. The subsequent step is to prepare Total Creditors Account to ascertain one of the missing figures, such as credit sales, opening creditors, closing creditors and cash paid to the creditors.
5. The last step is to prepare final accounts. On the basis of the missing figures ascertained in each of the above steps, along with other mentioned information, Trading and Profit and Loss Account and Balance Sheet can be prepared.

Answer needs Correction? [Click Here](#)

Q3 :

Explain how the following may be ascertained from incomplete records:

- (a) Opening capital and closing capital
- (b) Credit sales and credit purchases
- (c) Payments to creditors and collection from debtors
- (d) Closing balance of cash.

Answer :

1. Opening capital and closing capital: Opening capital can be ascertained by preparing opening statement of affairs at the beginning of the accounting period and closing capital can be ascertained by preparing closing Statement of Affairs at the end of the accounting period.

Statement of Affairs as on....

| Liabilities | Amount Rs | Assets | Amount Rs |
|---------------------|----------------------|-------------------|----------------------|
| Bills Payable | - | Land and Building | - |
| Creditors | - | Machinery | - |
| Outstanding Expense | - | Furniture | - |

| | | | |
|---|---|--|---|
| Capital (Balancing Figure) [@] | - | Stock | - |
| | | Debtors | - |
| | | Cash and Bank | - |
| | | Prepaid Expenses | - |
| | | Capital- <i>Deficiency</i> (Balancing Figure)* | - |
| | | | |
| | | | |

* When liabilities are more than assets, capital appears in assets side, as it is balancing figure.

@ When the assets' balance exceeds liabilities' balance, the balancing figure is denoted by capital in the Liabilities side of the Statement of Affairs.

2. Credit Sales and Credit Purchases: Credit sales are ascertained as the balancing figure of the Total Debtors Account and Credit Purchases are ascertained as the balancing figure of the Total Creditors Account.

Total Debtors Account

| Dr. | | | Cr. | | |
|--|------|--------------|----------------------------------|------|--------------|
| Particulars | J.F. | Amount Rs | Particulars | J.F. | Amount Rs |
| Balance b/d | | - | Cash | | - |
| Bills Receivable (Bill Dishonoured) | | - | Bank | | - |
| Bank (Cheque Dishonoured) | | - | Discount Allowed | | - |
| Credit Sales (Balancing Figure) | | - | Bad Debts | | - |
| | | | Sales Returns | | - |
| | | | Bills Receivable (Bill Drawn) | | - |
| | | | Balance c/d | | - |
| | | | | | |
| | | | | | |

Total Creditors Account

| Dr. | | | Cr. | | |
|-------------|------|--------------|-------------|------|--------------|
| Particulars | J.F. | Amount Rs | Particulars | J.F. | Amount Rs |
| Cash | | - | Balance b/d | | - |
| Bank | | - | Bank | | - |

| | | | |
|---------------|---|-----------------------------------|---|
| | | (Cheque Dishonoured) | |
| Bills Payable | - | Bills Payable (Bills Dishonoured) | - |

Answer needs Correction? [Click Here](#)

Numerical questions : Solutions of Questions on Page Number : 464

Q1 :

Following information is given below prepare the statement of profit or loss:

Capital at the end of the year

Capital in the beginning of the year

Drawings made during the period

Additional Capital introduced

Answer :

Statement of Profit and Loss

| Particulars | Amount Rs |
|---|--------------|
| Capital at the end of the year | 5,00,000 |
| <i>Add:</i> Drawings made during the year | 3,75,000 |
| <i>Less:</i> Capital in the beginning of the year | (7,50,000) |
| <i>Less:</i> Additional capital introduced | (50,000) |
| Profit during the year | 75,000 |

Answer needs Correction? [Click Here](#)

Q2 :

Manveer started his business on January 01, 2005 with a capital of Rs 4,50,000. On December 31, 2005 his position was as under:

Cash

Bills receivable

Plant

Land and Building

Furniture

He owned Rs 45,000 from his friend Susheel on that date. He withdrew Rs 8,000 per month for his household purposes. Ascertain his profit or loss for this year ended December 31, 2005

Answer :

Books of Manveer

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets |
|---------------------------------------|------------------|-------------------|
| Loan from Susheel | 45,000 | Cash |
| | | Bills Receivable |
| | | Plant |
| Closing Capital (Balancing Figure) | 4,07,000 | Land and Building |
| | | Furniture |
| | 4,52,000 | |

Statement of Profit and Loss as on December 31, 2005

| Particulars | Rs |
|---|------------|
| Capital on December 31, 2005 | 4,07,000 |
| <i>Add:</i> Drawings made during the year (Rs 8,000 x 12) | 96,000 |
| <i>Less:</i> Capital on January 01, 2005 | (4,50,000) |
| Profit during the year 2005 | 53,000 |

Answer needs Correction? [Click Here](#)

Q3 :

From the information given below ascertain the profit for the year:

Capital at the beginning of the year
Additional capital introduced during the year
Stock
Sundry debtors
Business premises
Machinery
Sundry creditors
Drawings made during the year

Answer :

Statement of Affairs

| Liabilities | Amount Rs | Assets |
|----------------------------|-----------|-------------------|
| Sundry Creditors | 33,400 | Stock |
| Capital (Balancing figure) | 62,700 | Sundry Debtors |
| | | Business Premises |
| | | Machinery |
| | 96,100 | |
| | | |

Statement of Profit and Loss

| Particulars | Amount Rs |
|--|--------------|
| Capital at the end of the year | 62,700 |
| <i>Add:</i> Drawings made during the year | 26,400 |
| <i>Less:</i> Capital of the beginning of the year | (70,000) |
| <i>Less:</i> Additional capital introduced during the year | (17,500) |
| Profit during the year | 1,600 |
| | |

Answer needs Correction? [Click Here](#)

Q4 :

From the following information, calculate capital at the beginning:

Capital at the end of the year

Drawings made during the year
Fresh capital introduced during the year
Profit of the current year

Answer :

$$\begin{aligned}\text{Capital in the beginning} &= \text{Capital at the end} + \text{Drawings} - (\text{Fresh Capital Introduced} + \text{Profit}) \\ &= 4,00,000 + 60,000 - (1,00,000 + 80,000) \\ &= \text{Rs } 2,80,000\end{aligned}$$

Note: As per the solution, the profit should be of Rs 2,80,000; but, the answer given in the book is Rs 2,60,000.

Answer needs Correction? [Click Here](#)

Q5 :

Following information is given below: calculate the closing capital

| | Jan.01, 2005 |
|------------------|--------------|
| | Rs |
| Creditors | 5,000 |
| Bills payable | 10,000 |
| Loan | - |
| Bills receivable | 30,000 |
| Stock | 5,000 |
| Cash | 2,000 |

Calculation of profit or loss and ascertainment of statement of affairs at the end of the year
(Opening Balance is given)

Answer :

Statement of Affairs as on January 01, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|------------------|------------------|
| Creditors | 5,000 | Bills Receivable |
| Bills Payable | 10,000 | Stock |
| Capital (Balancing figure) | 22,000 | Cash |
| | 37,000 | |
| | | |

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|------------------|------------------|
| Creditors | 30,000 | Bills Receivable |
| Loan | 50,000 | Stock |
| Capital (Balancing figure) | 20,000 | Cash |
| | 1,00,000 | |
| | | |

Capital on December 31, 2005 (Closing) is Rs 20,000

Statement of Profit and Loss

| Particulars | Amount |
|--------------------|---------------|
|--------------------|---------------|

| | Rs |
|--|----------|
| Capital on December 31, 2005 | 20,000 |
| <i>Less:</i> Capital on January 01, 2005 | (22,000) |
| Loss during the year 2005 | (2,000) |
| | |

Answer needs Correction? [Click Here](#)

Q6 :

Mrs Anu started firm with a capital of Rs 4,00,000 on 1st July 2005. She borrowed from her friends a sum of Rs 1,00,000 @ 10% per annum (interest paid) for business and brought a further amount to capital Rs 75,000 on Dec. 31, 2005, her position was :

Cash

Stock

Debtors

Creditors

He withdrew Rs 8,000 per month for the year. Calculate profit or loss for the year and show your working clearly.

Answer :

Books of Mrs. Anu

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets |
|-------------|-----------|--------|
| Creditors | 3,00,000 | Cash |

| | | |
|----------------------------|----------|---------|
| 10% Loan from Friends | 1,00,000 | Stock |
| Capital (Balancing figure) | 4,50,000 | Debtors |
| | 8,50,000 | |
| | | |

Statement of Profit and Loss as on December 31, 2005

| Particulars | Amount Rs |
|---|--------------|
| Capital on December 31, 2005 | 4,50,000 |
| <i>Add:</i> Drawings during the year (8,000 x 6 months) | 48,000 |
| <i>Less:</i> Capital on January 01, 2005 | (4,00,000) |
| <i>Less:</i> Additional capital introduced | (75,000) |
| Mrs. Anu earned profit during the year 2005 | 23,000 |
| | |

[Answer needs Correction? Click Here](#)

Q7 :

Mr. Arnav does not keep proper records of his business he provided following information, you are required to prepare a statement showing the profit or loss for the year.

Capital at the beginning of the year

Bills receivable

Cash in hand

Furniture

Building

Creditors

Stock in trade

Further capital introduced

Drawings made during the period

Ascertainment of statement of affairs at the beginning and at the end of the year and calculation of profit or loss.

Answer :

**Books of Mr. Arnav
Statement of Affairs at the end of year**

| Liabilities | Amount | Assets |
|--------------------------|---------------|------------------|
| | Rs | |
| Creditors | 6,00,000 | Bills Receivable |
| Capital (Balance figure) | 16,40,000 | Cash in Hand |
| | | Furniture |
| | | Building |
| | | Stock in Trade |
| | 22,40,000 | |
| | | |

Statement of Profit and Loss

| Particulars | Amount |
|---|---------------|
| | Rs |
| Capital at the end of the year | 16,40,000 |
| <i>Add:</i> Drawings during the year | 80,000 |
| <i>Less:</i> Capital at the beginning of the year | (15,00,000) |

| | |
|----------------------------------|------------|
| Less: Further capital introduced | (3,20,000) |
| Loss during the year | 1,00,000 |
| | |

Answer needs Correction? [Click Here](#)

Q8 :

Mr. Akshat keeps his books on incomplete records following information is given below:

April 01, 2004

| | Rs |
|-------------------|----------|
| Cash in hand | 1,000 |
| Cash at bank | 15,000 |
| Stock | 1,00,000 |
| Debtors | 42,500 |
| Business premises | 75,000 |
| Furniture | 9,000 |
| Creditors | 66,000 |
| Bills payable | 44,000 |

During the year he withdrew Rs 45,000 and introduced Rs 25,000 as further capital in the business compute the profit or loss of the business.

Answer :

Books of Mr. Akshat

Statement of Affairs as on April 01, 2004

| Liabilities | Amount | Assets |
|-------------|--------|--------|
|-------------|--------|--------|

| | Rs | |
|----------------------------|----------|-------------------|
| Creditors | 66,000 | Cash in Hand |
| Bills Payable | 44,000 | Cash at Bank |
| Capital (Balancing figure) | 1,32,500 | Stock |
| | | Debtors |
| | | Business Premises |
| | | Furniture |
| | 2,42,500 | |
| | | |

Statement of Affairs as on March 31, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|--------------|-------------------|
| Creditors | 87,000 | Cash in Hand |
| Bills Payable | 58,000 | Cash at Bank |
| Capital (Balancing figure) | 1,74,000 | Stock |
| | | Debtors |
| | | Business Premises |
| | | Furniture |
| | 3,19,000 | |
| | | |

Statement of Profit and Loss as on March 31, 2005

| Particulars | Amount Rs |
|--|--------------|
| Capital on March 31, 2005 | 1,74,000 |
| <i>Add:</i> Drawings made during the year | 45,000 |
| <i>Less:</i> Capital on April 01, 2004 | (1,32,500) |
| <i>Less:</i> Additional capital introduced | (25,000) |

| | |
|---|--------|
| Profit earned by Mr. Akshat during the year 2004-2005 | 61,500 |
| | |

Answer needs Correction? [Click Here](#)

Q9 :

Gopal does not keep proper books of account. Following information is given below:

| | Jan. 01, 2005 |
|-------------------|---------------|
| | Rs |
| Cash in hand | 18,000 |
| Cash at bank | 1,500 |
| Stock in trade | 80,000 |
| Sundry debtors | 36,000 |
| Sundry creditors | 60,000 |
| Loan | 10,000 |
| Office equipments | 25,000 |
| Land and Building | 30,000 |
| Furniture | 10,000 |

During the year he introduced Rs 20,000 and withdrew Rs 12,000 from the business. Prepare the statement of profit or loss on the basis of given information

Answer :

Books of Gopal

Statement of Affairs as on January 01, 2005

| Liabilities | Amount | Assets |
|-------------|--------|--------|
|-------------|--------|--------|

| | Rs | |
|----------------------------|----------|--------------------|
| Sundry Creditors | 60,000 | Cash in hand |
| Loan | 10,000 | Cash at bank |
| | | Stock in trade |
| | | Sundry Debtors |
| | | Office Equipments |
| Capital (Balancing figure) | 1,30,500 | Land and Buildings |
| | | Furniture |
| | 2,00,500 | |
| | | |

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|--------------|--------------------|
| Sundry Creditors | 40,000 | Cash in Hand |
| Loan | 8,000 | Cash at Bank |
| | | Stock in Trade |
| | | Sundry Debtors |
| | | Office Equipments |
| Capital (Balancing figure) | 1,76,000 | Land and Buildings |
| | | Furniture |
| | 2,24,000 | |
| | | |

Statement of Profit and Loss as on December 31, 2005

| Particulars | Amount Rs |
|--------------------------------------|--------------|
| Capital on December 31, 2005 | 1,76,000 |
| <i>Add:</i> Drawing made during 2005 | 12,000 |

| | |
|-------------------------------------|------------|
| Less: Capital on January 01, 2005 | (1,30,500) |
| Less: Additional capital introduced | (20,000) |
| Profit during the year | 37,500 |
| | |

Note: As per the solution, the profit during the year should be Rs 37,500; whereas, the profit given in the book is Rs 53,500.

Answer needs Correction? [Click Here](#)

Q10 :

Mr. Muneesh maintains his books of accounts from incomplete records. His books provide the information:

| | Jan. 01, 2005 |
|------------------|----------------------|
| | Rs |
| Cash | 1,200 |
| Bills receivable | - |
| Debtors | 16,800 |
| Stock | 22,400 |
| Investment | - |
| Furniture | 7,500 |
| Creditors | 14,000 |

He withdrew Rs 300 per month for personal expenses. He sold his investment of Rs 16,000 at 2% premium and introduced that amount into business.

Answer :

Statement of Affairs as on January 01, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|------------------|---------------------------------------|
| Creditors | 14,000 | Cash Debtors Stock Furniture |
| Capital (Balancing figure) | 33,900 | |
| | 47,900 | |

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|------------------|--|
| Creditors | 15,200 | Cash Bills Receivable Debtors Stock |
| Capital (Balancing figure) | 56,400 | Investment Furniture |
| | 71,600 | |

Statement of Profit and Loss as on December 31, 2005

| Particulars | Amount Rs |
|------------------------------|----------------------|
| Capital on December 31, 2005 | 56,400 |

| | |
|---|----------|
| Add: Drawing made during the year (Rs 300 x 12) | 3,600 |
| Less: Capital on January 01, 2005 | (33,900) |
| Less: Additional Capital Introduced | (16,320) |
| Profit earned during the year 2005 | 9,780 |

Working Note:

Additional Capital Introduced = 16,000 x
= 16,320

Answer needs Correction? [Click Here](#)

Q11 :

Mr. Girdhari Lal does not keep full double entry records. His balance as on January 01, 2006 is as.

| Liabilities | Amount Rs | Assets |
|------------------|--------------|----------------|
| Sundry creditors | 35,000 | Cash in hand |
| Bills payable | 15,000 | Cash at bank |
| Capital | 40,000 | Sundry debtors |
| | | Stock |
| | | Furniture |
| | | Plant |
| | 90,000 | |

His position at the end of the year is:

Cash in hand

Stock

Debtors

Furniture

Plant

Bills payable

Creditors

He withdrew Rs 500 per month out of which to spent Rs 1,500 for business purpose.

Prepare the statement of profit or loss.

Answer :

Books of Mr. Girdhari Lal

Statement of Affairs as on December 31, 2006

| Liabilities | Amount Rs | Assets |
|----------------------------|-----------|--------------|
| Bills Payable | 20,200 | Cash in Hand |
| Creditors | 15,000 | Stock |
| Capital (Balancing figure) | 39,550 | Debtors |
| | | Furniture |
| | | Plant |
| | 74,750 | |
| | | |

Statement of Profit and Loss

| Particulars | Amount Rs |
|--|--------------|
| Capital at the end of the year | 39,550 |
| <i>Add:</i> Drawings (Rs 500 x 12 months) | 6,000 |
| <i>Less:</i> Capital at the beginning of the year 2006 | (40,000) |
| <i>Less:</i> Additional capital introduced | (1,500) |
| Profit earned during the year 2006 | 4,050 |

Answer needs Correction? [Click Here](#)

Q12 :

Mr. Ashok does not keep his books properly. Following information is available from his books.

| | Jan. 01, 2005 |
|-------------------|----------------------|
| | Rs |
| Sundry creditors | 45,000 |
| Loan from wife | 66,000 |
| Sundry debtors | 22,500 |
| Land and Building | 89,600 |
| Cash in hand | 7,500 |
| Bank overdraft | 25,000 |
| Furniture | 1,300 |
| Stock | 34,000 |

During the year Mr. Ashok sold his private car for Rs 50,000 and invested this amount into the business. He withdrew from the business Rs 1,500 per month upto July 31, 2005 and

thereafter Rs 4,500 per month as drawings. You are required to prepare the statement of profit or loss and statement of affair as on December 31, 2005.

Answer :

Books of Mr. Ashok
Statement of Affairs as on January 01, 2005

| Liabilities | Amount Rs | Assets |
|----------------------------|--------------|-------------------|
| Sundry Creditors | 45,000 | Sundry Debtors |
| Loan from Wife | 66,000 | Land and Building |
| Bank Overdraft | 25,000 | Cash in Hand |
| Capital (Balancing figure) | 18,900 | Furniture |
| | | Stock |
| | 1,54,900 | |

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets |
|------------------|--------------|----------------------------|
| Sundry Creditors | 93,000 | Land and Building |
| Loan from Wife | 57,000 | Cash in Hand |
| | | Furniture |
| | | Stock |
| | | Capital (Balancing figure) |
| | 1,50,000 | |

Statement of Profit and Loss

| Particulars | Amount Rs |
|--|--------------|
| Capital on December 31, 2005 | (25,000) |
| Add: Drawings (Rs 1,500 x 7 months) + (4,500 x 5 months) | 33,000 |
| Less: Capital on January 01, 2005 | (18,900) |
| Less: Additional capital introduced (sale of car) | (50,000) |
| Loss during the year 2005 | (60,900) |

Note: As per the solution, the loss incurred during the year 2005 is Rs 60,900; while the answer given in the book shows Rs 57,900.

Answer needs Correction? [Click Here](#)

Q13 :

Krishna Kulkarni has not kept proper books of accounts prepare the statement of profit or loss for the year ending December 31, 2005 from the following information:

| | Jan. 01, 2005 Rs |
|------------------|---------------------|
| Cash in hand | 10,000 |
| Debtors | 20,000 |
| Creditors | 10,000 |
| Bills receivable | 20,000 |

| | |
|---------------|----------|
| Bills payable | 4,000 |
| Car | - |
| Stock | 40,000 |
| Furniture | 8,000 |
| Investment | 40,000 |
| Bank balance | 1,00,000 |

The following adjustments were made:

- (a) Krishna withdrew cash Rs 5,000 per month for private use.
- (b) Depreciation @ 5% on car and furniture @10%.
- (c) Outstanding Rent Rs 6,000.
- (d) Fresh Capital introduced during the year Rs 30,000.

Answer :

Books of Krishna Kulkarni

Statement of Affairs as on January 01, 2005

| Liabilities | Amount Rs | Assets | Amount Rs |
|----------------------------|--------------|------------------|--------------|
| Creditors | 10,000 | Cash in Hand | 10,000 |
| Bills Payable | 4,000 | Debtors | 20,000 |
| | | Bills Receivable | 20,000 |
| | | Stock | 40,000 |
| | | Furniture | 8,000 |
| | | Investment | 40,000 |
| Capital (Balancing figure) | 2,24,000 | Cast at Bank | 1,00,000 |

| | | | |
|--|----------|--|----------|
| | 2,38,000 | | 2,38,000 |
| | | | |

Statement of Affairs as on December 31, 2005

| Liabilities | Amount Rs | Assets | Amount Rs |
|----------------------------|--------------|-------------------------------|--------------|
| Creditors | 46,000 | Cash in Hand | 36,000 |
| Bills Payable | 42,000 | Debtors | 80,000 |
| Outstanding Expenses | 6,000 | Bills Receivable | 24,000 |
| | | Car | 80,000 |
| | | <i>Less: Depreciation 5%</i> | (4,000) |
| | | | 76,000 |
| | | Stock | 30,000 |
| | | Furniture | 48,000 |
| | | <i>Less: Depreciation 10%</i> | 4,800 |
| | | | 43,200 |
| Capital (Balancing figure) | 3,35,200 | Investment | 50,000 |
| | | Cast at Bank | 90,000 |
| | 4,29,200 | | 4,29,200 |
| | | | |

Statement of Profit and Loss

| Particulars | Amount Rs |
|--|--------------|
| Capital on December 31, 2005 | 3,35,200 |
| <i>Add: Drawings made during the year (Rs 5,000 x 12 months)</i> | 60,000 |
| <i>Less: Capital on January 01, 2005</i> | (2,24,000) |
| <i>Less: Fresh capital introduced during the year 2005</i> | (30,000) |
| | 1,41,200 |
| Profit earned during the year 2005 | |
| | |

Answer needs Correction? [Click Here](#)

Q14 :

M/s Saniya Sports Equipment does not keep proper records. From the following information find out profit or loss and also prepare balance sheet for the year ended December 31, 2005

| | Dec. 31, 2004 |
|------------------|---------------|
| | Rs |
| Cash in hand | 6,000 |
| Bank overdraft | 30,000 |
| Stock | 50,000 |
| Sundry creditors | 26,000 |
| Sundry debtors | 60,000 |
| Bills payable | 6,000 |
| Furniture | 40,000 |
| Bills receivable | 8,000 |
| Machinery | 50,000 |
| Investment | 30,000 |

Drawing Rs 10,000 p.m. for personal use, fresh capital introduced during the year Rs 2,00,000. A bad debts of Rs 2,000 and a provision of 5% is to be made on debtors outstanding salary Rs 2,400, prepaid insurance Rs 700, depreciation charged on furniture and machine @ 10% p.a.

Answer :

Statement of Affairs as on December 31, 2004

| Liabilities | Amount Rs | Assets |
|----------------------------|--------------|------------------|
| Bank Overdraft | 30,000 | Cash in Hand |
| Sundry Creditors | 26,000 | Stock |
| Bills Payable | 6,000 | Sundry Debtors |
| | | Furniture |
| | | Bills Receivable |
| | | Machinery |
| Capital (Balancing figure) | 1,82,000 | Investment |
| | 2,44,000 | |
| | | |

Statement of Affairs as on Dec. 31, 2005

| Liabilities | Amount Rs | Assets | Amount Rs |
|----------------------------|--------------|---------------------------|-----------------|
| Sundry Creditors | 40,000 | Cash in Hand | 24,000 |
| Bills Payable | 12,000 | Stock | 80,000 |
| Outstanding Salary | 2,400 | Sundry Debtors | 1,40,000 |
| | | <i>Less: Bad-debt</i> | 2,000 |
| | | | <u>1,38,000</u> |
| | | <i>Less: 5% Provision</i> | (6,900) |
| | | | <u>1,31,100</u> |
| | | Furniture | 60,000 |
| Capital (Balancing figure) | 4,33,400 | <i>Less: Depreciation</i> | (6,000) |
| | | | <u>54,000</u> |
| | | Bills Receivable | 28,000 |
| | | Machinery | 1,00,000 |
| | | <i>Less: Depreciation</i> | (10,000) |
| | | | <u>90,000</u> |

| | | | |
|--|----------|-------------------|----------|
| | | Investment | 80,000 |
| | | Prepaid Insurance | 700 |
| | 4,87,800 | | 4,87,800 |
| | | | |

Statement of Profit and Loss

| Particulars | Amount Rs |
|--|--------------|
| Capital on December 31, 2005 | 4,33,400 |
| <i>Add:</i> Drawings made during the year (Rs 10,000 × 12) | 1,20,000 |
| <i>Less:</i> Capital on December 31, 2004 | (1,82,000) |
| <i>Less:</i> Fresh capital introduced during the year 2005 | (2,00,000) |
| Profit earned during the year 2005 | 1,71,400 |

Answer needs Correction? [Click Here](#)

Q15 :

From the following information calculate the amount to be paid to creditors:

Sundry creditors as on March 31, 2005

Discount received

Discount allowed

Return outwards

Return inward

Bills accepted

Bills endorsed to creditors

Creditors as on April 01, 2006

Total purchases

Cash purchases

Answer :

Creditors Account

Dr.

| Particulars | Amount Rs | Particulars |
|------------------------------|--------------|-------------------------|
| Discount Received | 26,000 | By Balance b/d |
| Return Outwards | 37,200 | Purchases â€“ credit |
| Bills accepted | 1,99,000 | (8,97,000 â€“ 1,40,000) |
| B/R (endorsed to creditors) | 26,000 | |
| Balance c/d | 2,09,050 | |
| Cash/Bank (Balancing figure) | 4,40,175 | |
| | 9,37,425 | |

Amount paid to Creditors is Rs 4,40,175.

Answer needs Correction? [Click Here](#)

Q16 :

Find out the credit purchases from the following:

Balance of creditors April 01, 2004
 Balance of creditors March 31, 2005
 Cash paid to creditors
 Cheque issued to creditors
 Cash purchases
 Discount received from creditors
 Discount allowed
 Bills payable given to creditors
 Return outwards
 Bills payable dishonoured
 Bills receivable endorsed to creditors
 Bills receivable endorsed to creditors dishonoured
 Return inwards

Answer :

Creditors Account

Dr.

| Particulars | Amount Rs | Particulars |
|-----------------------------|--------------|--------------------|
| Cash | 1,80,000 | Balance b/d |
| Bank | 60,000 | B/P (dishonoured) |
| Discount Received | 5,400 | B/R (dishonoured) |
| B/P (accepted) | 12,750 | |
| Return Outwards | 7,500 | Purchases " credit |
| B/R (endorsed to creditors) | 4,500 | (Balancing figure) |
| Balance c/d | 36,000 | |

| | |
|--|----------|
| | |
| | 3,06,150 |
| | |

Credit Purchases Rs 56,350

Answer needs Correction? [Click Here](#)

Q17 :

From the following information calculate total purchases.

Creditors Jan. 01, 2005

Creditors Dec. 31, 2005

Opening balance of Bills payable

Closing balance of Bills payable

Cash paid to creditors

Bills discharged

Cash purchases

Return outwards

Answer :

Creditors Account

Dr.

| Particulars | Amount Rs | Particulars |
|-----------------|--------------|--------------------|
| Cash | 1,51,000 | Balance b/d |
| Return Outwards | 6,000 | Purchases " credit |

| | | |
|--------------------------|----------|--------------------|
| Bills Payable (accepted) | 54,500 | (Balancing figure) |
| Balance c/d | 20,000 | |
| | 2,31,500 | |
| | | |

Bills Payable Account

Dr.

| Particulars | Amount Rs | Particulars |
|-------------------------|-----------|---|
| Cash (Bills discharged) | 44,500 | Balance b/d |
| | | Creditors " (Bills Payable accepted) (Balancing figure) |
| Balance c/d | 35,000 | |
| | 79,500 | |
| | | |

Total Purchases = Cash Purchases + Credit Purchases (as per Creditors Account)
 = 1,29,000 + 2,01,500
 = Rs 3,30,500

Answer needs Correction? [Click Here](#)

Q18 :

The following information is given

Opening creditors

Cash paid to creditors

Closing creditors

Returns Inward

Bill matured

Bill dishonoured

Purchases return

Discount allowed

Calculate credit purchases during the year

Answer :

Creditors Account

Dr.

| Particulars | Amount Rs | Particulars |
|---------------------------|--------------|-----------------------|
| Cash | 30,000 | Balance b/d |
| Purchases Return | 12,000 | B/P (dishonoured) |
| B/P (accepted) (see note) | 27,000 | By Purchases " credit |
| Balance c/d | 36,000 | (Balancing figure) |
| | 1,05,000 | |
| | | |

Note: In order to match the answer with NCERT book, in the solution bills payable matured has been assumed as bills payable accepted.

Answer needs Correction? [Click Here](#)

Q19 :

From the following, calculate the amount of bills accepted during the year.

Rs

Bills payable as on April 01, 2005 1,80,000

Bills payable as on March 31, 2006 2,20,000

Bills payable dishonoured during the year 28,000

Bills payable honoured during the year 50,000

Answer :

Bills Payable Account

Dr.

| Particulars | Amount Rs | Particulars |
|-------------------------|--------------|------------------------|
| Creditors (dishonoured) | 28,000 | Balance b/d |
| Cash/Bank | 50,000 | Creditors (acceptance) |
| Balance c/d | 2,20,000 | (Balancing figure) |
| | 2,98,000 | |
| | | |

Answer needs Correction? [Click Here](#)

Q20 :

Find out the amount of bills matured during the year on the basis of information given below;

Bills payable dishonoured

Closing balance of Bills payable

Opening balance of Bills payable

Bills payable accepted

Cheque dishonoured

Answer :

Bills Payable Account

Dr.

Cr.

| Particulars | Amount Rs | Particulars | Amount Rs |
|------------------------------|----------------------|------------------------|----------------------|
| Creditors (Bill dishonoured) | 37,000 | Balance b/d | 70,000 |
| Cash/Bank (Balancing figure) | 38,000 | Creditors - acceptance | 90,000 |
| Balance c/d | 85,000 | (Balancing figure) | |
| | 1,60,000 | | 1,60,000 |
| | | | |

Bill Payable matured during the year is Rs 38,000.

Answer needs Correction? [Click Here](#)

Q21 :

Prepare the bills payable account from the following and find out missing figure if any :

Bills accepted

Discount received

Purchases returns

Return inwards

Cash paid to accounts payable

Bills receivable endorsed to creditor

Bills dishonoured

Bad debts

Balance of accounts payable (closing)

Credit purchases

Answer :

Bills Payable Account

Dr.

Cr.

| Particulars | Amount Rs | Particulars | Amount Rs |
|-------------------------------|--------------|------------------------|--------------|
| Creditors (Bills dishonoured) | 17,000 | Creditors (acceptance) | 1,05,000 |
| Cash/Bank (Balancing figure) | 88,000 | | |
| | 1,05,000 | | 1,05,000 |

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Account Payable Account

Dr.

Cr.

| Particulars | Amount Rs | Particulars | Amount Rs |
|-------------------|--------------|--------------------|--------------|
| Discount Received | 17,000 | Purchases " Credit | 2,15,000 |
| Purchases Return | 9,000 | B/P (dishonoured) | 17,000 |
| Cash | 50,000 | | |
| B/R (endorsed) | 45,000 | Balance b/d | 79,000 |
| B/P (acceptance) | 1,05,000 | (Balancing figure) | |
| Balance c/d | 85,000 | | |
| | 3,11,000 | | 3,11,000 |
| | | | |

Bills payable discharged is Rs 88,000 and the opening balance of creditors is Rs 79,000.

Answer needs Correction? [Click Here](#)

Q22 :

Calculate the amount of bills receivable during the year.

Opening balance of bills receivable

Bill dishonoured

Bills collected (honoured)

Bills receivable endorsed to creditors

Closing balance of bills receivable

Answer :

Bills Receivable Account

Dr.

| Particulars | Amount Rs | Particulars |
|------------------------|----------------------|---------------------------|
| Balance b/d | 75,000 | Debtors (B/R dishonoured) |
| | | Cash/Bank (honoured) |
| | | Creditors (endorsed) |
| Debtors (B/R received) | 1,60,000 | Balance c/d |
| (Balancing figure) | | |
| | 2,35,000 | |
| | | |

Bills receivable received from Debtors Rs 1,60,000.

Answer needs Correction? [Click Here](#)

Q23 :

Calculate the amount of bills receivable dishonoured from the following information.

Opening balance of bills receivable

Bills collected (honoured)

Bills receivable endorsed

Closing balance of bills receivable

Bills receivable received

Answer :

Bills Receivable Account

Dr.

| Particulars | Amount Rs | Particulars |
|------------------------|----------------------|-----------------------|
| Balance b/d | 1,20,000 | Cash/Bank (honoured) |
| | | Creditors (endorsed) |
| | | Balance c/d |
| Debtors (B/R received) | 1,50,000 | Debtors (dishonoured) |
| (Balancing figure) | | (Balancing figure) |
| | 2,70,000 | |
| | | |

Bills Receivable dishonoured is Rs 11,500.

[Answer needs Correction? Click Here](#)

Q24 :

From the details given below, find out the credit sales and total sales.

Opening debtors

Closing debtors

Discount allowed

Sales returns

Irrecoverable amount

Bills receivables received

Bills receivable dishonoured

Cheque dishonoured

Cash sales

Cash received from debtors

Cheque received from debtors

Answer :

Debtors Account

Dr.

| Particulars | Amount | Particulars |
|---------------------------|----------|----------------------------------|
| | Rs | |
| Balance b/d | 45,000 | Discount Allowed |
| B/R (dishonoured) | 3,000 | Sales Returns |
| Bank (cheque dishonoured) | 7,700 | Bad-debts (irrecoverable amount) |
| Sales " Credit | 2,82,300 | B/R (received) |
| (Balancing figure) | | Cash |
| | | Bank |
| | | Balance c/d |
| | 3,38,000 | |
| | | |

Credit sales is Rs 2,82,300

$$\begin{aligned} \text{Total Sales} &= \text{Cash Sales} + \text{Credit Sales} \\ &= 80,000 + 2,82,300 \\ &= \text{Rs } 3,62,300 \end{aligned}$$

Answer needs Correction? [Click Here](#)

Q25 :

From the following information, prepare the bills receivable account and total debtors account for the year ended December 31, 2005.

Opening balance of debtors

Opening balance of bills receivable

Cash sales made during the year

Credit sales made during the year

Return inwards

Cash received from debtors

Discount allowed to debtors

Bills receivable endorsed to creditors

Cash received (bills matured)

Irrecoverable amount

Closing balance of bills receivable on Dec. 31, 2005

Answer :

Debtors Account

Dr.

| Particulars | Amount Rs | Particulars |
|--------------------|----------------------|---------------------------------|
| Balance b/d | 1,80,000 | Return Inwards |
| Sales-Credit | 14,50,000 | Discount Allowed |
| | | Cash |
| | | Bad debt (irrecoverable amount) |

| | | |
|--|-----------|--------------------|
| | | B/R (received) |
| | | Balance c/d |
| | | (Balancing figure) |
| | 16,30,000 | |
| | | |

Bills Receivable Account

Dr.

| Particulars | Amount Rs | Particulars |
|--------------------|--------------|----------------------|
| Balance b/d | 55,000 | Cash (Bills matured) |
| | | Creditors (endorsed) |
| | | Balance c/d |
| Debtors (received) | 1,61,000 | |
| (Balancing figure) | | |
| | 2,16,000 | |
| | | |

The missing figure in the bills receivable account is "B/R received from debtors Rs 1,61,000 and the missing figure in the debtors account is closing balance is Rs 3,01,000.

Answer needs Correction? [Click Here](#)

Q26 :

Prepare the suitable accounts and find out the missing figure if any.

Opening balance of debtors

Opening balance of bills receivable

Closing balance of bills receivable

Cheque dishonoured
 Cash received from debtors
 Cheque received and deposited in the bank
 Discount allowed
 Irrecoverable amount
 Returns inwards
 Bills receivable received from customers
 Bills receivable matured
 Bills discounted
 Bills endorsed to creditors

Answer :

Debtors Account

Dr.

| Particulars | Amount Rs | Particulars |
|---------------------------------|--------------|---------------------------------|
| Balance b/d | 14,00,000 | Cash |
| Bank (cheque dishonoured) | 27,000 | Bank |
| B/R (dishonoured) | 40,000 | Discount Allowed |
| | | Bad debt (irrecoverable amount) |
| | | Return Inwards |
| Sales-Credit (Balancing figure) | 6,21,000 | B/R (received) |
| | 20,88,000 | |
| | | |

Bills Receivable Account

Dr.

| Particulars | Amount Rs | Particulars |
|------------------------|--------------|-----------------------|
| Balance b/d | 7,00,000 | Cash (B/R matured) |
| | | Bank (Bill endorsed) |
| | | Creditors (endorsed) |
| Debtors (B/R received) | 1,05,000 | Balance c/d |
| | | Debtors (dishonoured) |
| | | (Balancing figure) |
| | 8,05,000 | |

Note: As per solution, the missing figure in the bills receivable account is B/R dishonoured of Rs 40,000. The missing figure in the debtors account is the credit sales of Rs 6,21,000, However, the NCERT book shows a credit sales Rs 5,16,000.

In order to match our answer with that of the book, B/R received from the customers is not shown in the debtors account.

Answer needs Correction? [Click Here](#)

Q27 :

From the following information ascertain the opening balance of sundry debtors and closing balance of sundry creditors

Opening stock

Closing stock

Opening creditors

Closing debtors

Discount allowed by creditors

Discount allowed to customers
 Cash paid to creditors
 Bills payable accepted during the period
 Bills receivable received during the period
 Cash received from customers
 Bills receivable dishonoured
 Purchases

The rate of gross profit is 25% on selling price and out of the total sales
 Rs 85,000 was for cash sales.

(Hint: Total sales = 4,00,000 = 3,00,000 x 100 x $\frac{100}{75}$)

Answer :

Sundry Debtors Account

Dr.

| Particulars | Amount Rs | Particulars |
|--------------------|--------------|------------------|
| Balance b/d | 54,000 | Discount Allowed |
| (Balancing figure) | | B/R (received) |
| B/R (dishonoured) | 3,500 | Cash |
| Sales-Credit | 3,15,000 | Balance c/d |
| | 3,72,500 | |

Sundry Creditors Account

Dr.

| Particulars | Amount Rs | Particulars |
|-----------------------------------|--------------|----------------------|
| Discount Received | 1,500 | Balance b/d |
| Cash | 1,35,000 | Purchases â€“ credit |
| B/P (accepted) | 30,000 | |
| Balance c/d (Balancing figure) | 1,78,500 | |
| | 3,45,000 | |

Opening balance of debtors is Rs 54,000 and the closing balance of creditors is Rs 1,78,500.

Working Notes:

Total Sales = Cash Sales + Credit Sales

Total Sales = Cost of Goods Sold + Gross Profit

Cost of Goods Sold = Opening Stock + Purchases â€“ Closing Stock
 = 30,000 + 2,95,000 â€“ 25,000
 = Rs 3,00,000

Let sales be 100%

$$\begin{aligned}
 \text{Sales} &= \text{Cost of Goods sold} + \text{Gross Profit} \\
 \text{Or, } 100 &= \text{Cost of Goods sold} + 25\% \\
 \text{Cost of Goods Sold} &= 100\% - 25\% = 75\%
 \end{aligned}$$

$$\begin{aligned}
 \text{Gross Profit} &= \frac{\text{Cost of Goods Sold}}{\% \text{ of Cost of Goods Sold}} \times \% \text{ of Gross Profit} \\
 &= \frac{3,00,000}{75} \times 25 \\
 &= 1,00,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Sales} &= \text{Cost of Goods Sold} + \text{Gross Profit} \\
 &= 3,00,000 + 1,00,000 \\
 &= \text{Rs } 4,00,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Sales} &= \text{Cash Sales} + \text{Credit Sales} \\
 \text{Or, } 4,00,000 &= 85,000 + \text{Credit Sales} \\
 \text{Or, Credit Sales} &= 4,00,000 - 85,000 \\
 &= \text{Rs } 3,15,000
 \end{aligned}$$

Note: Here, it has been assumed that all purchases were made on credit.

Answer needs Correction? [Click Here](#)

Q28 :

Mrs Bhavana keeps his books by Single Entry System. You.re required to prepare final accounts of her business for the year ended December 31, 2005. Her records relating to cash receipts and cash payments for the above period showed the following particulars :

Summary of Cash

Dr.

| Receipts | Amount Rs | Payments |
|-------------------------|-----------|------------------------------------|
| Opening balance of cash | 12,000 | Paid to creditors |
| Further capital | 20,000 | Business expenses |
| Received from debtors | 1,20,000 | Wage paid |
| | | Bhavana's drawings |
| | | Balance at bank on Dec. 31,2005 |
| | | Cash in hand |
| | 1,52,000 | |

The following information is also available:

| | Jan. 01, 2005 |
|-------------------|---------------|
| | Rs |
| Debtors | 55,000 |
| Creditors | 22,000 |
| Stock | 35,000 |
| Plant | 10,00,000 |
| Machinery | 50,000 |
| Land and Building | 2,50,000 |
| Investment | 20,000 |

All her sales and purchases were on credit. Provide depreciation on plant and building by 10% and machinery by 5%, make a provision for bad debts by 5%.

Answer :

Books of Mrs. Bhavana
Debtors Account

Dr.

| Particulars | Amount Rs | Particulars |
|--------------|--------------|-------------|
| Balance b/d | 55,000 | Cash |
| Sales-Credit | 1,50,000 | Balance c/d |
| | 2,05,000 | |
| | | |

Creditors Account

Dr.

| Particulars | Amount Rs | Particulars |
|-------------|--------------|------------------|
| Cash | 53,000 | Balance b/d |
| Balance c/d | 29,000 | Purchases-Credit |
| | 82,000 | |
| | | |

Statement of Affairs as on Jan.01, 2005

| Particulars | Amount Rs | Particulars |
|-------------|--------------|-------------|
| Creditors | 22,000 | Debtors |

| | | |
|---------------------------------------|----------|--|
| Capital-Opening (Balancing figure) | 5,00,000 | Stock Plant Machinery Land and Building Investment Cash |
| | 5,22,000 | |
| | | |

Note: It has been assumed that total sales are credit sales (i.e. all sales are made on credit) and total purchases are credit purchases (i.e. all purchases are made on credit).

Plant of Rs 1,00,000 has been taken in to the statement of affairs on January 01, 2005, instead of Rs 10,00,000.

Trading Account as on December 31, 2005

Dr.

| Particulars | Amount Rs | Particulars |
|--|--------------|---------------|
| Opening Stock | 35,000 | Sales |
| Purchases | 60,000 | Closing Stock |
| Wages | 30,000 | |
| Profit and Loss (Gross Profit) (Balancing figure) | 95,000 | |
| | 2,20,000 | |
| | | |

Profit and Loss Account

Dr.

| Particulars | Amount Rs | Particulars |
|--------------------------|--------------|------------------------|
| Business Expenses | 12,000 | Trading (Gross profit) |
| Depreciation on Plant | 10,000 | |
| Depreciation on Building | 25,000 | |

Answer needs Correction? [Click Here](#)



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