

# 12

## FINAL ACCOUNTS WITH ADJUSTMENTS 2

### Problem No. 1

#### Adjusting Entries

Date	Particular	L.F	Debit	Credit
(i)	Salaries A/c To Outstanding Salaries A/c Outstanding salaries taken in account		4000	4000
(ii)	Prepaid Rent A/c To Rent A/c Prepaid rent adjusted.		1000	1000
(iii)	Accrued Interest on Bank Deposit To Interest on Deposit A/c Accrued interest on deposit taken into account		2000	2000
(iv)	Interest on Capital To Capital A/c Interest on capital taken into account.		5000	5000
(v)	Commission A/c To Unearned Commission A/c Unearned commission taken into		1000	1000
(vi)	Depreciation A/c To Building A/c Depreciation on Building taken into account		20000	20000



**Problem No. 2****Journal Entries**

Date	Particular	L.F	Debit	Credit
a)	Prepaid insurance A/c To Insurance A/c Being prepaid insurance		300	300
b)	Accrued Interest A/c To Interest A/c Being the interest accrued on investment.		500	500
c)	Interest on Capital A/c To Capital A/c Being the Interest on Capital is outstanding		600	600
d)	Salaries A/c To Outstanding Salaries A/c Being the salaries Accrued		5000	5000
e)	Drawings A/c To Purchases A/c Being the drawings now recorded.		700	700
f)	Capital A/c To Interest on drawings A/c Being the interest on drawings.		150	150

**Problem No. 3**

Date	Particulars	L.F.	Debit	Credit
	Reserve For Doubtful Debts A/c To Bad Debts Being the transfer of Bad Debts during the year to the former A/c		1,700	1,700
	Profit and Loss A/c To Reserve for Doubtful Debts Being the additional provision made to bring up the reserve to 5% on Rs. 58000		2,200	2,200



**Bad Debts Account**

Date	Particulars	Amount	Date	Particulars	Amount
2006 Dec. 31	To Sundry Debtors	1,700	2006 Dec. 31	By Reserve for Doubtful Debts- Transfer	1,700
		1,700			1,700

**Reserve For Doubtful Debts Accounts**

Date	Particulars	Amount	Date	Particulars	Amount
2006 Dec. 31	To Bad Debts	1,700	2006 Jan. 1	By Balance b/d	2,400
	Balance A/c	2,900	Dec. 31	Profit & Loss A/c	2,200
		4,600			4,600

Profit And Loss Account (Debit Side)

To Bad Debts

" Reserve For Doubtful Debts

" Less Old Reserve

Rs.

1,700

2,900

4,600

2,400

Rs.

2,200

**Balance Sheet (Asset Side)**

Sundry Debtors

Less 5% Reserve For Doubtful Debts

58,000

2,900

55,100

**Problem No. 4****Provision For Bad Debts And Discounts**

Date	Particulars	L.F	Debit	Credit
2005 Dec. 31	Profit & Loss A/c To Reserve for Doubtful Debts A/c Being a reserve of 5% on debtors amounting Rs. 50,000		2500	2500
2003 Dec. 31	Reserve for doubtful debts A/c To Bad Debts A/c For transfer of Bad Debts A/c		1400	1400
2003 Dec. 31	Profit & Loss A/c To Reserve for Doubtful Debts A/c Being a reserve of 5% on debtors amounting to Rs. 40,000. (Rs. 2,000) less excess of last year's reserve over actual bad debts. Rs. 1,100.		900	900



2004 Dec. 31	Reserve for Doubtful Debts A/c To Bad Debts A/c For transfer of Bad Debts A/c	600	600
2004 Dec. 31	Reserve for Doubtful Debts A/c To Profit & Loss A/c Balance left in the reserve for doubtful debts A/c after leaving a balance of Rs. 1,250 (5% of Rs. 25,000) transferred to P & L A/c	150	150

**Provision For Doubtful Debts Account**

Date	Particulars	Amount	Date	Particulars	Amount
2007 Dec. 31	To Balance C/D	2,500	2007 Dec. 31	BY P & L A/C	2,500
2006 Dec. 31	To Bad Debts A/C	1,400	2006 Jan. 1	By Balance B/D	2,500
	To Balance C/D	2,000	Dec. 31	By P & L A/C	900
		3,400			3,400
2007 Dec. 31	To Bad Debts A/C	600	2007 Jan. 1	By Balance B/D	2,000
	To P & L A/C	150			
	To Balance C/D	1,250			
		2,000			2,000
				By Balance B/D	1,250

**Profit & Loss Account****For the year ended 31<sup>st</sup> December, 2007**

Particulars	Rs.	Particulars	Rs.
To Reserve for Doubtful Debts	2,500		

**Balance Sheet****As on 31st December 2005**

Liabilities	Amount	Assets	Amount
		Sundry debtors 50,000	
		Less Reserve for Bad Debts 2,500	47,500



**Profit & Loss Account**  
**For the year ended 31<sup>st</sup> December 2006**

To Reserve for			
" Doubtful Debts 2,000			
" Add Bad Debts <u>1,400</u>			
3,400			
Less Old Reserve <u>2,500</u>	900		

**Balance Sheet**  
**For the year ended**  
**31<sup>st</sup> December 2006**

Liabilities	Amount	Assets	Amount
		Sundry Debtors 40,000	
		Less reserve for Bad	
		Debts <u>2,000</u>	38,000

**Profit & Loss Account**  
**For the year ended 31<sup>st</sup> December 2007**

		By Old Provision 2,000	
		" Less Bad Debts 600	
		" Less New Provision <u>1,250</u> <u>1,850</u>	150

**Balance Sheet**  
**For the year ended 31<sup>st</sup> December 2007**

Liabilities	Amount	Assets	Amount
		Sundry Debtors 25,000	
		Less reserve for bad	
		debts <u>1,250</u>	23,750



**Problem No. 5****Journal Entries**

Date	Particulars	L.F	Debit	Credit
2003 Dec. 31	Profit & Loss A/c To Reserve for Doubtful A/c Being the provision made at 5% Rs. 40000 for doubtful debts.		2000	2000
	Profit & Loss A/c To Reserve for discount on debtors A/c Being the provision made for discount at 5% on Rs. 38,000 viz, the estimated realizable amount of sundry debtors.		1900	1900
2004 Dec. 31	Reserve for Doubtful debts A/c To Bad Debts Being the entry to close bad debts account by transfer to the former account.		1600	1600
	Profit and Loss A/c To Reserve for Doubtful debts Being the additional provision made to bring it up to 5% on Rs. 50,000.		2100	2100
	Reserve for Discount on Debtors A/c To Discount A/c Being the transfer of Discounts during the year to former account.		1700	1700
	Profit and Loss Account To Reserve for Discount on Debtors Being the provision for discounts at 5% on Rs. 47,000 the likely realizable value of Sundry Debtors.		2175	2175

**Bad Debts Account**

Date	Particulars	Amount	Date	Particulars	Amount
2004 Dec. 31	To Sundry Debtors	1,600	2004 Dec. 31	By Reserve For Doubtful Debt- Transfer	1,600
		1,600			1,600



## Reserve For Doubtful Debts Account

Date	Particulars	Amount	Date	Particulars	Amount
2003 Dec. 31	To Balance c/d	2,000	2003 Dec. 31	By reserve for, Doubtful Debts- Transfer	2,000
2004 Dec. 31	To Bad Debts A/c- Transfer	<u>2,000</u> 1,600	2004 Jan. 1	By Balance c/d	<u>2,000</u> 2,000
	Balanced c/d	2,500	Dec. 31	" Profit & Loss A/c	2,100
		4,100			4,100
			2005 Jan. 1	By Balance b/d	2,500

## Discount Account

Date	Particulars	Amount	Date	Particulars	Amount
2004 Dec. 31	To Sundry Debtors	1,700	2004 Dec. 31	By reserve for Discounts on Debtors- Transfer	<u>1,700</u>
		1,700			1,700

## Reserve For Discounts On Debtors Account

Date	Particulars	Amount	Date	Particulars	Amount
2003 Dec. 31	To Balance c/d	1,900	2003 Dec. 31	By Profit & Loss A/c	1,900
		1,900			1,900
2004 Dec. 31	To Discount A/c Transfer	1,700	2004 Jan. 1	By Balance b/d	1,900
	Balance c/d	2,375	Dec. 31	" Profit & Loss A/c	2,175
		4,075			4,075
			2005 Jan. 1	By Balance b/d	2,375

**Profit And Loss Account (Debit Side), 2003**

	Rs.	Rs.
To Reserve For Doubtful Debts		2,000
" Discount		1,900

**Profit And Loss Account (Debit Side), 2003**

To Bad Debts	1,600	
" Reserve For Doubtful Debts	<u>2,500</u>	
	4,100	
" Less Old Reserve	<u>2,000</u>	2,100
To Discounts	1,700	
" Reserve For Discounts On Debtors	<u>2,375</u>	
	4,075	
" Less Old Reserve	<u>1,900</u>	<u>2,175</u>

**Balance Sheet****As at 31st December 2003****(Asset Side)**

	Rs.	Rs.	Rs.
Sundry Debtors		40,000	
Less 5% Reserve For Doubtful Debts	2,000		
Less 5% Reserve For Discount On Debtors	<u>1,900</u>		
		<u>3,900</u>	36,000

**Balance Sheet****As at 31st December, 2004****(Asset Side)**

	Rs.	Rs.	Rs.
Sundry Debtors		50,000	
Less 5% Reserve For Doubtful Debts	2,500		
Less 5% Reserve For Discount On Debtors	<u>2,300</u>		
		<u>4,870</u>	45,130



**Problem No. 6****Journal Entries**

Date	Particulars	L.F.	Debit	Credit
2007 Dec. 31	Discount Account To Reserve for Discount on Creditors Being the transfer of Discounts earned during the year to latter account.		1040	1040
	Reserve for Discount on Creditors To Profit & Loss A/c Being the additional provision made to bring up the reserve to $2\frac{1}{2}$ on Rs. 50,000		1090	1090

**Discount Account**

Date	Particulars	Amount	Date	Particulars	Amount
2007 Dec. 31	To Reserve for Discount on Creditors Account-Transfer	1,040	2007 Dec. 31	By Sundry Creditors	1,040
		1,040			1,040

**Reserve For Discount On Creditors Account**

Date	Particulars	Amount	Date	Particulars	Amount
2007 Jan. 1	To Balance b/d	1,200	2007 Dec. 31	By Discount Account – Transfer	1,040
Dec. 31	" Profit and Loss Account	1,090		" Balance b/d	1,250
		2,290			2,290
2008 Jan. 1	To Balance b/d	1,250			

**Profit And Loss Account**  
**As At 31<sup>st</sup> December 2007**  
**(Credit Side)**

	Rs.	Rs.
By Discounts	1,040	
" Reserve For Discount On Creditors	1,250	
	2,290	
" Less Old Reserve	1,200	1,000

**Balance Sheet**  
**As At 31<sup>st</sup> December, 2007**  
**(Liabilities Side)**

	Rs.	Rs.
Sundry Creditors	50,000	
Less $2\frac{1}{2}$ Reserve For Discount On Creditors	1,250	48,750



**Problem No. 7****Profit and Loss Account****On 31<sup>st</sup> December 2006**

New Provision for Bad debts 5% on S. Debtors	2000		
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**Balance Sheet****As On 31<sup>st</sup> December 2006**

		S. Debtors	40,000	
		Less Balance of		
		Provision	<u>3600</u>	36400
		Old + New Provision		
		Less Bad debts		
		(3000 to 2000 – 1400)		

**Problem No. 8****Mr. Yameen & Co.****Trading and Profit and Loss Account****For the year ending December 31, 2005**

Particulars	Amount	Particulars	Amount
To Opening Stock	10,000	By sales	50,000
To purchase	36,000	By Less Sales returns	<u>1,000</u>
To less Purchases return	<u>2,000</u>	By Closing stock	25,000
To Wages	3,000		
To Gross Profit c/d	27,000		
	<u>74,000</u>		<u>74,000</u>
To Salaries	15,000	By Gross profit b/d	27,000
To Add Outstanding	<u>3,000</u>		
To Rent	2,000		
To Depreciation on Machinery	2,000		
To Net Profit transferred to the capital a/c	5,000		
	<u>27,000</u>		<u>27,000</u>



**Balance Sheet**  
**As on 31<sup>st</sup> December, 2005**

Liabilities	Amount	Assets	Amount
			Rs.
Sundry Creditors	28,000	Cash	5,000
Outstanding Salary	3,000	Sundry Debtors	12,000
Capital	30,500	Bills Receivable	4,000
Add net Profit	<u>5,000</u>	Closing stock	25,000
	35,500	Machinery	20,000
Less Drawing	<u>2,500</u>	Less Depreciation	<u>2,000</u>
	33,000		18,000
	64,000		64,000

**Problem No. 9**

**Trading and Profit and Loss Account**  
**For the year ending December 31, 2007**

Particulars	Amount	Particulars	Amount
To Opening Stock	6,675	By sales	27,500
To purchase	15,000	By Closing stock	7,500
To Wages	2,730		
To Gross Profit c/d	10,595		
	35,000		35,000
To Rent	11,200	By Gross profit b/d	10,595
Add: Outstanding	<u>500</u>	By Commission	1,350
	11,700	Less: Unearned	<u>450</u>
		By Net loss transferred to the capital a/c	205
	11,700		11,700



**Balance Sheet**  
**As on 31<sup>st</sup> December 2006**

Liabilities		Amount	Assets		Amount
Creditors		7,000	Cash		315
Loan		20,183	Debtors		16,500
Outstanding Rent		500	Closing stock		7,500
Unearned Commission		450	Machinery		14,025
Capital	31,187		Building		17,750
Less Net Loss	<u>205</u>				
	30,982				
Less: Drawings	<u>3,025</u>	27,957			
		56,090			56,090

**Problem No. 10**

**Mr. Kashif**  
**Trading and Profit and Loss Account**  
**For the year ending December 31, 2007**

Particulars		Amount	Particulars		Amount
To purchase	12,900		By sales	15,000	
To less Purchases return	<u>700</u>	12,200	By Less Sales returns	<u>615</u>	14,385
To Wages		100	By Closing stock		500
To Gross Profit c/d		2,585			
		14,885			14,885
To Salaries	1,500		By Gross profit b/d		2,585
Add: Outstanding	<u>200</u>	1,700	By Net loss transferred to the capital a/c		525
To Rent		600			
To Commission	385	2,000			
Less: Prepaid	<u>100</u>	285			
To Depreciation on Furniture		525			
		3,110			3,110



**Balance Sheet**  
**As on 31<sup>st</sup> December 2006**

Liabilities		Amount	Assets		Amount
Creditors		150	Cash		46,750
Outstanding Salaries		200	Prepaid commission		100
Capital	53,000		Debtors		750
Less Net Loss	<u>525</u>	52,475	Furniture	5,250	
			Less Depreciation	<u>525</u>	4,725
			Closing stock		500
		52,825			52,825

**Problem No. 11**

**Trading and Profit and Loss Account**  
**For the year ending December 31, 2006**

Particulars		Amount	Particulars		Amount
To Opening Stock		12,500	By sales	50,200	
To purchase	42,100		By Less Sales returns	<u>200</u>	50,000
To less Purchases return	<u>100</u>	42,000	By Closing stock		7,200
To Carriage		1,000			
To Gross Profit c/d		1,700			
		57,200			57,200
To Rent	5,200		By Gross profit b/d		1,700
Less: Prepaid	<u>800</u>	4,400	By Interest	1,500	
To Salaries		18,000	Add: Accrued	<u>500</u>	2,000
To Advertisement		2,000	To Net loss transferred to the capital a/c		21,200
To Depreciation on Furniture		500			
		24,900			24,900



**Balance Sheet**  
**As on 31<sup>st</sup> December 2006**

Liabilities	Amount	Assets	Amount
Sundry Creditors	5,600	Cash	4,500
Capital 46,600		Sundry Debtors	8,500
Less Net Loss <u>21,200</u>	25,400	Closing stock	7,200
		Furniture 10,000	
		Less Depreciation <u>500</u>	9,500
		Accrued Rent	800
		Accrued Interest	500
	31,000		31,000

**Problem No. 12**

**Mr. Ishaq**  
**Trading and Profit and Loss Account**  
**For the year ending December 31, 2008**

Particulars	Amount	Particulars	Amount
To Opening Stock	2,920	By sales	11,439
To purchase	9,092	By Closing stock	7,928
To Carriage	600		
To wages 1,910			
Add: Outstanding wages <u>300</u>	2,210		
To Gross Profit c/d	4,545		
	57,200		57,200
To Salaries	1,300	By Gross profit b/d	4,545
To Insurance	119	By Discount	627
To Expenses	132		
To Bad Debts	700		
To Depreciation on Machinery	600		
Net Profit	2,321		
	5,172		5,172



**Mr. Ishaq**  
**Balance Sheet**  
**As on 31<sup>st</sup> December 2008**

Liabilities	Amount	Assets	Amount
Creditors	12,408	Bank	3,151
Outstanding wages	300	Debtors	10,690
Capital	18,390	Closing stock	7,928
Add: Net Profit	2,321	Machinery	12,000
Less: Drawings	(250)	Less Depreciation	600
	20,461		11,400
	33,169		33,169

**Problem No. 13**

**Mr. Ammad**  
**Trading and Profit and Loss Account**  
**For the year ending June 30, 2009**

Particulars	Amount	Particulars	Amount
To Opening Stock	3,800	By sales	17,406
To purchase	12,900	By Closing stock	2,050
Less: Purchase Returns	400		
To wages	2,580		
Add: Outstanding wages	60		
To Gross Profit c/d	516		
	19,456		19,456
To Salaries	470	By Gross profit b/d	516
To Repairs	100		
Add: Outstanding Repairs	50		
To Interest on Capital	500	By Net Loss	070
To Depreciation on Plant			
Machinery	114		
To Rent Rate and Taxes	352		
	1,586		1,586



**Mr. Ammad**  
**Balance Sheet**  
**As on June 30, 2009**

Liabilities		Amount	Assets		Amount
Creditors		10,800	Cash		259
Outstanding Repairs		50	Bank		850
Outstanding wages		60	Debtors		14,895
Capital	10,000		Closing stock		2,050
Add: Interest on Capital	500		Plant and Machinery	1,140	
Less: Net Loss	(1,070)		Less Depreciation	114	1,026
Less: Drawings	(1,260)	8,170			
		19,080			19,080

**Problem No. 14**

**Saeed & Co.**  
**Trading and Profit and Loss Account**  
**For the year ending December 31, 2007**

Particulars		Amount	Particulars		Amount
To purchase	21,750		By sales		30,350
Less Goods Taken away by owner	105	21,645	By Closing stock		6,075
To wages	8,500				
Add: Outstanding wages	72	8,572			
To Carriage		275			
To Gross Profit c/d		5,933			
		36,425			36,425
To Salaries	2,000		By Gross profit b/d		5,933
Add: Outstanding Salaries	255	2,255			
To Traveling Expenses		500			
To Commission		325			
To Repair		105			
To Sundry Expense		700			
Net Profit		2,048			
		5,933			5,933



**Saeed & Co.**  
**Balance Sheet**  
**As on 31<sup>st</sup> December 2007**

Liabilities	Amount	Assets	Amount
Creditors	2,100	Cash in hand	750
Outstanding Salaries	255	Cash at Bank	2,000
Outstanding wages	72	Sundry Debtors	3,250
Capital	13,705	Closing stock	6,075
Add: Net Profit	2,048	Building	6,000
Less: Drawings	(105)		
	15,468		
	18,075		18,075

**Problem No. 15**

**A & Co.**  
**Trading and Profit and Loss Account**  
**For the year ending December 31, 2006**

Particulars	Amount	Particulars	Amount
To Opening Stock	13,350	By sales	55,000
To purchase.	30,000	Less: Sales Returns	<u>2,625</u>
Less: Purchase Returns	<u>990</u>		52,375
To wages	5,459	By Closing stock	15,000
To Gross Profit c/d	19,556		
	67,375		67,375
To Rent	22,400	By Gross profit b/d	19,556
Add: Outstanding Rent	<u>1,000</u>	By Commission	2,700
To Depreciation on Building	3,550	Less: Unearned Commission	<u>900</u>
		Net Loss	5,594
	26,950		26,950



**A & Co.**  
**Balance Sheet**  
**As on 31<sup>st</sup> December 2006**

Liabilities	Amount	Assets	Amount
Creditors	14,000	Cash	630
Loan	42,000	Debtors	33,000
Outstanding Rent	1,000	Closing stock	15,000
Unearned Commission	900	Machinery	28,050
Capital	62,375	Building	35,500
Less: Net Loss	5,594	Less Depreciation	3,550
Less: Drawings	6,050		31,950
	50,730		
	1,08,630		1,08,630

**Problem No. 16**

**Mr. Jamil**  
**Trading and Profit and Loss Account**  
**For the year ended December 31, 2006**

Particulars	Amount	Particulars	Amount
To Opening Stock	1,460	By sales	11,906
To purchase	10,362	By Less Sales returns	210
To less Purchases return	291	By Closing stock	5,000
To Gross Profit c/d	5,165		
	16,696		16,696
To Bad debts	172	By Gross profit b/d	5,165
Add: New Provision	160		
	332		
Less: Old Provision	80		
To General Expenses	440		
To Rent	320		
Add: Outstanding	150		
To Depreciation on Machinery	142.5		
To Net Profit transferred to the capital a/c	3,860.5		
	5,165		5,165



**Mr. Jamil**  
**Balance Sheet**  
**As on 31<sup>st</sup> December 2006**

Liabilities	Amount	Assets	Amount
Creditors	150	Cash	48
Bank Over draft	240	Debtors	3,200
Outstanding Rent	150	Less: Provision	160
Capital	4,250.00	Closing stock	5,000
Add: Net Profit	3,860.50	Machinery	950.00
	8,110.50	Less Depreciation	142.50
Less: Drawings	710.00		807.50
	7,400.50		
	8,895.50		8,895.50

**Problem No. 17**

**Trading and Profit and Loss Account**  
**For the year ending December 31, 2005**

Particulars	Amount	Particulars	Amount
To Opening Stock	10,000	By sales	85,000
To purchase	75,000	By Less Sales returns	2,700
To less Purchases return	1,300	By Closing stock	45,000
To Wages	3,500		
To Gross Profit c/d	40,100		
	127,300		127,300
To Trade Expenses	3,675	By Gross profit b/d	40,100
To Salaries	5,600		
To Add Outstanding	200		
To Traveling Expenses	110		
To Advertising	420		
To Taxes and Insurance	2,800		
Less: Prepaid Insurance	50		
To Discount	300		
To Bank Interest	215		
To Bad Debt's	400		
To Depreciation on Machinery	1,000		
To Net Profit transferred to the capital a/c	25,430		
	40,100		40,100



**Balance Sheet**  
**As on 31<sup>st</sup> December 2005**

Liabilities		Amount	Assets		Amount
					Rs.
Sundry Creditors		30,000	Cash in hand		1,030
Bank Overdraft		10,000	Sundry Debtors		6,100
Outstanding Salary		200	Closing stock		45,000
Capital	15,000		Prepaid Insurance		50
Add net Profit	<u>25,430</u>		Furniture		2,450
	40,430		Premises		6,000
Less Drawing	<u>11,000</u>	29,430	Machinery	10,000	
			Less Depreciation	<u>1,000</u>	9,000
		69,630			69,630

**Problem No. 18**

**Mr. Karim**  
**Trading and Profit and Loss Account**  
**For the year ending December 31<sup>st</sup>, 2005**

Particulars		Amount	Particulars		Amount
		Rs.			Rs.
To Purchase		10,944	By Sales		25,360
To Wages		4,683	By Closing Stock		5,350
To Gross Profit c/d		15,083			
		30,710			30,710
To Discount		260	By Gross Profit b/d		15,083
To Rent	380		By discount		130
To Less Prepaid	<u>100</u>	280			
To Taxes		1,000			
To Salaries	1,940				
To Add Outstanding	<u>950</u>	2,890			
To Advertising		500			
To Insurance		2,560			
To Bad debts		100			
To Depreciation on machinery		536			
To Interest on capital		600			
To Net profit transferred to the capital		6,487			
		15,213			15,213



**Mr. Karim**  
**Balance Sheet**  
**As on 31<sup>st</sup> December, 2005**

Liabilities		Amount	Assets		Amount
Sundry Creditors		4,338	Cash in hand		2,860
Bill payable		1,520	Debtors		8,175
Loans		1,000	Bills Receivable		361
Outstanding Salary		950	Closing Stock		5,350
Capital	10,000		Prepaid Rent		100
Add net profit	6,487		Motor Lorry		2,500
	16,487		Machinery		
Add interest	600		Less Depreciation	5,360	4,824
	17,087			536	
Less Drawing	725	16,362			
		24,170			24,170

**Problem No. 19**

**Trading and Profit and Loss Account**  
**For the year ending December 31<sup>st</sup>, 2006**

Particulars		Amount	Particulars		Amount
To Opening Stock		9,700	By Sales	26,200	
To Purchases	11,400		By Less Sales returns	200	26,000
To less returns	300	11,100	To Closing Stock		2,000
To Carriage		100			
To Gross Profit c/d		7,100			
		28,000			28,000
To Rent	800		By Gross Profit b/d		7,100
To Less Prepaid rent	300	500			
To Salaries and wages	1,300				
To Add outstanding	200	1,500			
To General expenses		700			
To New bad debts	600				
To Add new provision	270				
	870				
To Less old reserve for bad debts	500	370			
To Depreciation on furniture		230			
To Depreciation on Machinery		960			
To Net profit transferred to the capital a/c		2,840			
		7,100			7,100



**Balance Sheet**  
**As on 31<sup>st</sup> December, 2006**

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Sundry Creditors	2,400	Cash in hand	1,500
Bank Overdraft	5,000	Cash at bank	6,700
Outstanding salaries	200	Closing stock	2,000
Capital	18,500	Prepaid	300
Add new profit	<u>2,840</u>	Debtors	6,000
	21,340	Less new bad debts	<u>600</u>
Less drawings	<u>2,600</u>		5,400
	18,740	Less new provision	<u>270</u>
			5,130
		Furniture	2,300
		Less depreciation	<u>230</u>
			2,070
		Plant & Machinery	9,600
		Less depreciation	<u>960</u>
			8,640
	<u>26,340</u>		<u>26,340</u>

**Problem No. 20**

**Trading and Profit and Loss Account**  
**For the year ending 31<sup>st</sup> December, 2005**

Particulars	Amount	Particulars	Amount
To Opening stock	30,000	By Sales	74,000
To Purchases	45,000	By Closing Stock	45,000
To Gross Profit c/d	44,000		
	119,000		119,000
To Trade Expenses	4,895	By Gross Profit b/d	44,000
To Audit Fee	2,000		
To Interest paid	500		
To Salaries	20,000		
To Repairs	1,500		
To New Reserve	1,875		
To Less Old Reserve	<u>1,000</u>		
	875		
To Depreciation on Plant	2,000		
To Depreciation on Building	2,000		
To Depreciation of Tools	750		
To Net Profit Transferred to the Capital a/c	<u>9,480</u>		
	44,000		<u>44,000</u>



**Balance Sheet**  
**As on 31<sup>st</sup> December 2005**

Liabilities		Amount	Assets		Amount
Sundry Creditors		20000	Book Debts	15000	
Bills Payable		5000	Less Reserve		
			for Bad Debts Stock	1875	13125
Capital	80000		Plant and Machinery	20000	45000
Add Net Profit	9480	89480	Less Depreciation	2000	18000
			Tools	6000	
			Less Depreciation	750	5250
			Prepaid Expenses		105
			Building	35000	
			Less Depreciation	2000	33000
Total:		114480	Total:		114480

**Problem No. 21**

**Trading and Profit and Loss Account**  
**For the year ending 31<sup>st</sup> December, 2006**

		Rs.			Rs.
To Stock (Jan. 1 <sup>st</sup> 2006)		30,000	By Sales	1,25,000	
To Purchases	75,000		Less Returns form customers	2,700	1,22,300
Less Returns to creditors	1,300	73,700	By Stock		45,000
To Wages	3,500				
Add outstanding	200	3,700			
To Gross Profit c/d		59,900			
		1,67,300			1,67,300
To General Trade Expenses		3,675	By Gross profit b/d		59,900
To Salaries		5,600			
To traveling expenses		660			
To Advertising		420			
To Discount		300			
To Taxes and Insurance	2,800				
Add outstanding Taxes	250				
	3,050				
Less Prepaid Insurance	150	2,900			



To Bank Interest & Commission		215		
To Reserve for Bad Debts				
Debts	2,285			
Add Bad Debts	800			
	3,085			
Less Old Reserve	550	2,535		
To Depreciation on premises	150			
To Depreciation on Mach and Plant	750			
To Depreciation on Fix & Fittings	245	1,145		
To Net Profit transferred to Capital		42,450		
		59,900		59,900

**Balance Sheet**  
**As on December 31, 2006**

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Sundry creditors		30,000	Cash in hand		1,030
Bank overdraft		10,000	Sundry Debtors	46,100	
			Less Bad debts	400	
Outstanding expenses (200+250)		450		45,700	
Capital	35,000		Less Bad Debts		
Add N. Profit	42,450		Reserve	2,285	43,415
	77,450		Stock		45,000
			Fixture and Fittings	2450	
Less Drawing	11,000	66,450	Less Depreciation	245	2,205
			Machinery & Plant	10,000	
			Less Depreciation	750	9,250
			Premises	6,000	
			Less Depreciation	150	5,850
			Insurance Prepaid		150
Total:		1,06,900	Total:		1,06,900