

NCERT Solution for Class 11 Accountancy Chapter 9 – Financial Statements - 1

Short Answers for NCERT Accountancy Solutions Class 11 Chapter 9

1. What are the objectives of preparing financial statements?

Financial statements are prepared with the following objective:

1. Determine the financial position of a business.
2. Ascertain the financial performance of the business.
3. To measure the changes in financial position of a business.
4. To compare financial performance of business both intra and inter firm wise.

2. What is the purpose of preparing trading and profit and loss account?

Trading account is prepared for the following purpose:

1. To determine the gross profit or loss in a financial year or period.
2. Determine the ratio of gross profit to sales.
3. To determine ratio of direct expense to sales.

Profit and Loss account is prepared for the following purpose:

1. Determining net profit or loss incurred by the business
2. To comply with statutory requirements such as Company act or Partnership Act

3. Explain the concept of cost of goods sold?

Costs incurred in production of goods that are sold by company is known as Cost of Goods Sold or COGS. No

goods left out: In this case all goods are sold out. Hence, it can be calculated as:

Cost of goods sold = Purchases + Direct Expenses

Presence of a closing stock: There can be some stock that are yet to get sold at the end of accounting period. At that time it can be calculated as:

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Cost of goods sold = Purchases + Direct Expenses – Closing Stock

Presence of an Opening stock: Stock that is carried forward at the beginning of the accounting period from the previous accounting period is considered as opening stock and is calculated as:

Cost of goods sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

4. What is a balance sheet? What are its characteristics?

A statement prepared to determine assets and values of a business on a particular date is known as Balance Sheet. Debits represent the assets while credits signify the liabilities.

It has the following characteristics:

1. Reflects financial position of a business.
2. It is dependent on other statements such as trading and P & L account.
3. It is prepared at the end of an accounting period.
4. The balance of both sides should tally.

5. Distinguish between capital and revenue expenditure and state whether the following statements are items of capital or revenue expenditure:

- (a) Expenditure incurred on repairs and whitewashing at the time of purchase of an old building in order to make it usable.
- (b) Expenditure incurred to provide one more exit in a cinema hall in compliance with a government order.
- (c) Registration fees paid at the time of purchase of a building
- (d) Expenditure incurred in the maintenance of a tea garden which will produce tea after four years.
- (e) Depreciation charged on a plant.
- (f) The expenditure incurred in erecting a platform on which a machine will be fixed.
- (g) Advertising expenditure, the benefits of which will last for four years.

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| Basis of Difference | Capital Expenditure | Revenue Expenditure |
|---------------------|---|---|
| Meaning | Expenditure beared for acquiring or improving an asset. | Expenses beared for running daily business activities |
| Term | Long Term, can span many accounting periods | Short term limited to an accounting period |
| Benefits | Benefits can be achieved across many accounting periods | Benefits can be availed only in the current year |
| Nature | Non-recurring | Recurring |
| Shown in | It is shown in Income Statement and Balance Sheet | It is shown in Income statement |

- (a) Capital expenditure
- (b) Revenue expenditure
- (c) Capital expenditure
- (d) Capital expenditure
- (e) Revenue expenditure
- (f) Capital expenditure
- (g) Deferred revenue expenditure

6. What is an operating profit?

Operating profit referred to as EBIT, is an accounting metric that measures, the profits a company generates from its core business functions. It does not take into account interest deduction and exclusion of tax from calculation. The following equation is used to calculate the operating profit.

The following equation can be used to represent

$$\text{Operating Profit} = \text{Net Profit} + \text{Non-Operating Expenses} - \text{Non Operating Incomes}$$

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Long Answers for NCERT Accountancy Solutions Class 11 Chapter 9

1. What are financial statements? What information do they provide?

Statements that contain financial information about business which can satisfy the information requirements of internal and external users are known as financial statements. It serve as a source of financial information that caters to diverse information requirement of users. It is prepared with the purpose of representing a true and fair view of business.

To do so it requires the creation of three statements namely, trading and profit and loss account and balance sheet.

The financial statements related to gross/net profit or loss, the assets and liabilities. The users of information can be the following:

Current Owners: These internal users would like to know the profits in the previous accounting period and current position of the assets and liabilities.

Government: Government is an external user and want to know the financial position of a business so that stakeholder's rights are protected.

Prospective Owner: These external users would like to know the past profits and financial position and also the future performance of the business to make an informed decision whether to invest in the business or not

2. What are closing entries? Give four examples of closing entries.

A journal entry that is made at the end of an accounting period that transfers balances from the temporary accounts to a permanent account is known as closing entries. Some examples are here as follows:

1. The purchases returns are closed by transferring the balance in purchases account. Following entries are made:

Purchases return A/c

Dr

To Purchases A/c

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2. Sales return account is closed by transfer of balance to sales account. Entries will be

Sales A/c

Dr

To Sales return A/c

3. Purchases account closed by transferring to debit side of trading and P & L Account

Trading A/c

Dr

To Purchases A/c

4. Sales account closed by transferring balance to credit side of trading and P & L account. Sales A/c Dr.

To Trading A/c

3. Discuss the need of preparing a balance sheet.

Balance sheet needs to be prepared due to following reasons:

1. To show financial position of business.
2. To show much assets and liabilities a business has
3. It serves as information source for internal and external users
4. It acts as a reference for balances that need to be carried forward
5. To gather an idea about the liquidity of the firm or business
6. Helps management in planning and controlling business operations.

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4. What is meant by Grouping and Marshalling of assets and liabilities? Explain the ways in which a balance sheet may be marshalled.

Grouping refers to including assets and liabilities of similar nature under a common heading. For example different types of creditors can be placed in one heading. Similarly work in progress, raw material and finished goods can be placed.

Marshalling refers to arranging of assets and liabilities in order of liquidity and permanence.

In order of Liquidity: It shows how easily an asset can be converted into cash or a liability can be paid off. The asset examples arranged as follows:

1. Cash
2. Bank
3. Debtors

In order of permanence: In this system the most important asset or a liability gets the top position in balance sheet and remaining assets are arranged in reducing level of permanence: For e.g.

1. Debtors
2. Bank
3. Cash

Similarly, liabilities in order of permanence is as follows:

1. Capital
2. Long term loan
3. Creditors

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Numerical Answers for NCERT Accountancy Solutions Class 11 Chapter 9

1. From the following balances taken from the books of Simmi and Vimmi Ltd. for the year ending March 31, 2017, calculate the gross profit.

| | |
|-------------------------------|-----------|
| Closing stock | 2,50,000 |
| Net sales during the year | 40,00,000 |
| Net purchases during the year | 15,00,000 |
| Opening stock | 15,00,000 |
| Direct expenses | 80,000 |

The gross profit is calculated below:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|-----------------|-----------|---------------|-----------|
| Particulars | Amount | Particulars | Amount |
| Opening Stock | 15,00,000 | Net Sales | 40,00,000 |
| Net Purchases | 15,00,000 | Closing Stock | 2,50,000 |
| Direct Expenses | 80,000 | | |
| Gross Profit | 11,70,000 | | |
| | 42,50,000 | | 42,50,000 |
| | | | |

Therefore, the Gross Profit is ₹ 11, 70,000.

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2. From the following balances extracted from the books of M/s Ahuja and Nanda. Calculate the amount of:

- (a) Cost of goods available for sale
- (b) Cost of goods sold during the year
- (c) Gross Profit

| | |
|------------------|-----------|
| | □ |
| Opening stock | 25,000 |
| Credit purchases | 7,50,000 |
| Cash purchases | 3,00,000 |
| Credit sales | 12,00,000 |
| Cash sales | 4,00,000 |
| Wages | 1,00,000 |
| Salaries | 1,40,000 |
| Closing stock | 30,000 |
| Sales return | 50,000 |
| Purchases return | 10,000 |

a) Cost of Goods Sold Available for Sales Or

$$\begin{aligned}\text{Cost of Goods Manufactured} &= \text{Opening Stock} + \text{Net Purchases} + \text{Wages} \\ &= 25,000 + 10,40,000 + 1,00,000 \\ &= \square 11,65,000\end{aligned}$$

$$\begin{aligned}\text{(b) Cost of Goods Sold} &= \text{Opening Stock} + \text{Net Purchases} + \text{Wages} - \text{Closing Stock} \\ &= 25,000 + 10,40,000 + 1,00,000 - 30,000 \\ &= \square 11,35,000\end{aligned}$$

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Or

$$\begin{aligned}
 \text{Cost of Goods Sold} &= \text{Net Sales} - \text{Gross Profit} \\
 &= 15,50,000 - 4,15,000 \\
 &= \text{₹ } 11,35,000
 \end{aligned}$$

(c)

| Trading Account | | | |
|------------------------|-----------------------|--------------------|-------------|
| Dr. | | Cr. | |
| Particulars | Amount ₹ | Particulars | Amount ₹ |
| Opening Stock | 25,000 | Sales | |
| Purchases | | Add: Credit Sales | 12,00,000 |
| Add: Credit Purchases | 7,50,000 | Add: Cash Sales | 4,00,000 |
| Add: Cash Purchases | 3,00,000 | | |
| Less: Purchases Return | | Less: Sales Return | |
| Wages | | | 15,50,000 |
| | 10,40,000 | | |
| | 1,00,000 | Closing Stock | 30,000 |
| | 10,50,000 (10,000) | | |

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| | | | |
|--------------|--|-----------|-----------|
| Gross Profit | | 4,15,000 | |
| | | 15,80,000 | 15,80,000 |
| | | | |

3. Calculate the amount of gross profit and operating profit on the basis of the following balances extracted from the books of M/s Rajiv and Sons for the year ended March 31, 2017.

| | |
|-----------------|-----------|
| | □ |
| Opening stock | 50,000 |
| Net sales | 11,00,000 |
| Net purchases | 6,00,000 |
| Direct expenses | 60,000 |

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| | |
|-----------------------------------|--------|
| Administration expenses | 45,000 |
| Selling and distribution expenses | 65,000 |
| Loss due to fire | 20,000 |
| Closing stock | 70,000 |

The solution is as follows:

Trading Account as on March 31, 2017

Dr.

Cr.

| Particulars | Amount ₹ | Particulars | Amount ₹ |
|-----------------|-------------|---------------|-------------|
| Opening Stock | 50,000 | Net Sales | 11,00,000 |
| Net Purchases | 6,00,000 | Closing Stock | 70,000 |
| Direct Expenses | 60,000 | | |
| Gross Profit | 4,60,000 | | |
| | 11,70,000 | | 11,70,000 |
| | | | |

$$\begin{aligned}
 \text{Operating Profit} &= \text{Sales} - (\text{Opening Stock} + \text{Net Purchases} + \text{Direct Expenses} + \text{Administration Expenses} + \\
 &\quad \text{Selling and Distribution Expenses}) + \text{Closing Stock} \\
 &= 11,00,000 - (50,000 + 6,00,000 + 60,000 + 45,000 + 65,000) + 70,000 \\
 &= ₹ 3,50,000
 \end{aligned}$$

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4. Operating profit earned by M/s Arora and Sachdeva in 2016-17 was ₹ 17, 00,000. Its non-operating incomes were ₹ 1, 50,000 and non-operating expenses were ₹ 3, 75,000. Calculate the amount of net profit earned by the firm.

Net Profit = Operating Profit + Non-operating Income – Non-operating Expenses

= ₹ 17, 00,000 + ₹ 1, 50,000 – ₹ 3, 75,000

= ₹ 14, 75,000

Net profit earned by M/S Arora and Sachdeva in 2016–17 is ₹ 14, 75,000

5. The following are the extracts from the trial balance of M/s Bhola and Sons as on March 31, 2017

| Account title | Debit ₹ | Credit ₹ |
|---------------|------------|-------------|
| Opening Stock | 2,00,000 | |
| Purchases | 8,10,000 | |
| Sales | | 10,10,000 |
| | 10,10,000 | 10,10,000 |
| | | |

(Only relevant items)

Closing Stock as on date was valued at ₹ 3, 00,000.

You are required to record the necessary journal entries and show how the above items will appear in the trading and profit and loss account and balance sheet of M/s Bhola and Sons.

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Books of M/s Bhola and Sons

Journal

| Date | Particulars | L.F. | Debit Amount □ | Credit Amount □ |
|--------|---|------|-----------------------|----------------------|
| 2017 | | | | |
| Mar.31 | Trading A/c To Opening Stock A/c To Purchases A/c (Balances from Purchases Account and Stock Account transferred to Trading Account) | Dr. | 10,10,000 | 2,00,000 8,10,000 |
| Mar.31 | Sales A/c Closing Stock A/c To Trading A/c (Balance from sales and closing stock transferred to Trading Account) | Dr. | 10,10,000 3,00,000 | 13,10,000 |
| Mar.31 | Trading A/c To Profit and Loss (Gross Profit) A/c (Balance of Trading Account (gross profit) transferred to Profit and Loss Account) | Dr. | 3,00,000 | 3,00,000 |

Trading Account as on March 31, 2017

Dr.

Cr.

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| Particulars | Amount ₹ | Particulars | Amount ₹ |
|------------------------------------|-------------|---------------|-------------|
| Opening Stock | 2,00,000 | Sales | 10,10,000 |
| Purchases | 8,10,000 | Closing Stock | 3,00,000 |
| Profit and Loss A/c – Gross Profit | 3,00,000 | | |
| | 13,10,000 | | 13,10,000 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | Amount ₹ | Assets | Amount ₹ |
|-------------|-------------|---------------|-------------|
| | | Closing Stock | 3,00,000 |

6. Prepare trading and profit and loss account and balance sheet, as on March 31, 2017:

| Account Title | Amount ₹ | Account Title | Amount ₹ |
|------------------|-------------|------------------|-------------|
| Machinery | 27,000 | Capital | 60,000 |
| Sundry debtors | 21,600 | Bills payable | 2,800 |
| Drawings | 2,700 | Sundry creditors | 1,400 |
| Purchases | 58,500 | Sales | 73,500 |
| Wages | 15,000 | | |
| Sundry expenses | 600 | | |
| Rent and taxes | 1,350 | | |
| Carriage inwards | 450 | | |
| Bank | 4,500 | | |
| Openings stock | 6,000 | | |

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Closing stock, as on March 31, 2017 ₹ 22,400

Trading and profit and loss account and balance sheet is prepared as follows:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|--------------------------------|-------------|---------------|-------------|
| Particulars | Amount ₹ | Particulars | Amount ₹ |
| Opening Stock | 6,000 | Sales | 73,500 |
| Purchases | 58,500 | Closing Stock | 22,400 |
| Wages | 15,000 | | |
| Carriage Inwards | 450 | | |
| Profit and Loss (Gross Profit) | 15,950 | | |
| | 95,900 | | 95,900 |
| | | | |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|-----------------|-------------|------------------------|-------------|
| Particulars | Amount ₹ | Particulars | Amount ₹ |
| Sundry Expenses | 600 | Trading (Gross Profit) | 15,950 |
| Rent and Taxes | 1,350 | | |
| Net Profit | 14,000 | | |
| | 15,950 | | 15,950 |
| | | | |

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Balance Sheet as on March 31, 2017

| Liabilities | Amount ₹ | Assets | Amount ₹ |
|------------------|-------------|------------------------------|-------------|
| Capital | 60,000 | <u>Fixed Assets</u> | |
| Add: Net Profit | 14,000 | Machinery | 27,000 |
| | 74,000 | | |
| Less: Draw ings | 2,700 | <u>Current Assets</u> | |
| | | Bank | 4,500 |
| Sundry Creditors | 1,400 | Closing Stock | 22,400 |
| Bills Payable | 2,800 | Sundry Debtors | 21,600 |
| | 75,500 | | 75,500 |
| | | | |

7. The following trial balance is extracted from the books of M/s Ram on March 31, 2017. You are required to prepare trading and profit and loss account and the balance sheet as on date:

| Account title | Amount ₹ | Account title | Amount ₹ |
|---------------------|-------------|------------------------|-------------|
| Debtors | 12,000 | Apprenticeship premium | 5,000 |
| Purchases | 50,000 | Loan | 10,000 |
| Coal, gas and water | 6,000 | Bank overdraft | 1,000 |
| Factory wages | 11,000 | Sales | 80,000 |
| Salaries | 9,000 | Creditors | 13,000 |

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| | | | |
|-------------------|--------|---------|--------|
| Rent | 4,000 | Capital | 20,000 |
| Discount | 3,000 | | |
| Advertisement | 500 | | |
| Drawings | 1,000 | | |
| Loan | 6,000 | | |
| Petty cash | 500 | | |
| Sales return | 1,000 | | |
| Machinery | 5,000 | | |
| Land and building | 10,000 | | |
| Income tax | 100 | | |
| Furniture | 9,900 | | |

Trading and profit and loss account and balance sheet is prepared as follows:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|--------------------------------|--------|--------------------|--------|
| Particulars | Amount | Particulars | Amount |
| Purchases | 50,000 | Sales | 80,000 |
| Coal, Gas and Water | 6,000 | Less: Sales Return | 1,000 |
| Factory Wages | 11,000 | | 79,000 |
| Profit and Loss (Gross Profit) | 12,000 | | |
| | 79,000 | | 79,000 |
| | | | |

Profit and Loss Account as on March 31, 2017

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Dr.

Cr.

| Particulars | Amount □ | Particulars | Amount □ |
|---------------|-------------|------------------------|-------------|
| Salaries | 9,000 | Trading (Gross Profit) | 12,000 |
| Rent | 4,000 | Apprenticeship Premium | 5,000 |
| Discount | 3,000 | | |
| Advertisement | 500 | | |
| Net Profit | 500 | | |
| | 17,000 | | 17,000 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | Amount □ | Assets | Amount □ |
|---------------------------------------|-------------|-------------------|-------------|
| Capital 20,000 | | Machinery | 5,000 |
| Add: Profit and Loss (Net Profit) 500 | | Land and Building | 10,000 |
| 20,500 | | Furniture | 9,900 |
| Less: Draw ings (1,000) | | Loan (Given) | 6,000 |
| Less: Income Tax (100) | 19,400 | Debtors | 12,000 |
| | | Petty Cash | 500 |
| Loan (Taken) | 10,000 | | |
| Creditors | 13,000 | | |
| Bank Overdraft | 1,000 | | |
| | 43,400 | | 43,400 |
| | | | |

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8. The following is the trial balance of Manju Chawla on March 31, 2017. You are required to prepare trading and profit and loss account and a balance sheet as on date:

| Account title | Debit Amount ₹ | Credit Amount ₹ |
|---------------------------|----------------------|-----------------------|
| Opening stock | 10,000 | |
| Purchases and sales | 40,000 | 80,000 |
| Returns | 200 | 600 |
| Productive wages | 6,000 | |
| Dock and Clearing charges | 4,000 | |
| Donation and charity | 600 | |
| Delivery van expenses | 6,000 | |
| Lighting | 500 | |
| Sales tax collected | | 1,000 |
| Bad debts | 600 | |
| Misc. incomes | | 6,000 |
| Rent from tenants | | 2,000 |
| Royalty | 4,000 | |
| Capital | | 40,000 |
| Drawings | 2,000 | |
| Debtors and Creditors | 6,000 | 7,000 |
| Cash | 3,000 | |
| Investment | 6,000 | |
| Patents | 4,000 | |
| Land and Machinery | 43,000 | |

Closing stock ₹ 2,000.

Trading and profit and loss account and balance sheet is prepared as follows:

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Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|--------------------------------|-------------|---------------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Opening Stock | 10,000 | Sales | 80,000 |
| Purchases | 40,000 | Less: Sales Returns | (200) |
| Less: Purchases Returns | (600) | | 79,800 |
| | 39,400 | | |
| Productive Wages | 6,000 | Closing Stock | 2,000 |
| | | | |
| Dock and Clearing Charges | 4,000 | | |
| Royalty | 4,000 | | |
| Profit and Loss (Gross Profit) | 18,400 | | |
| | | | |
| | 81,800 | | 81,800 |
| | | | |

Profit and Loss Account as on March 31, 2017

Dr.

Cr.

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| Particulars | Amount ₹ | Particulars | Amount ₹ |
|-----------------------|-------------|------------------------|-------------|
| Donation and Charity | 600 | Trading (Gross Profit) | 18,400 |
| Delivery Van Expenses | 6,000 | Misc. Incomes | 6,000 |
| Lighting | 500 | Rent from Tenants | 2,000 |
| Bad Debts | 600 | | |
| Net Profit | 18,700 | | |
| | | | |
| | 26,400 | | 26,400 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | Amount ₹ | Assets | Amount ₹ |
|-----------------------------------|-------------|--------------------|-------------|
| Capital | 40,000 | Patents | 4,000 |
| Add: Profit and Loss (Net Profit) | 18,700 | Land and Machinery | 43,000 |
| | 58,700 | Investment | 6,000 |
| Less: Drawings | (2,000) | Debtors | 6,700 |
| | 56,700 | Cash | 3,000 |
| Sales Tax Collected | 1,000 | Closing Stock | 2,000 |
| Creditors | 7,000 | | |

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| | | |
|--|--------|--------|
| | 64,700 | 64,700 |
| | | |

9. The following is the Trial Balance of Mr. Deepak as on March 31, 2017. You are required to prepare trading account, profit and loss account and a balance sheet as on date:

| Account title | Debit Amount □ | Account title | Credit Amount □ |
|---------------------|----------------|-------------------|-----------------|
| Drawings | 36,000 | Capital | 2,50,000 |
| Insurance | 3,000 | Bills payable | 3,600 |
| General expenses | 29,000 | Creditors | 50,000 |
| Rent and taxes | 14,400 | Discount received | 10,400 |
| Lighting (factory) | 2,800 | Purchases return | 8,000 |
| Travelling expenses | 7,400 | Sales | 4,40,000 |
| Cash in hand | 12,600 | | |
| Bills receivable | 5,000 | | |
| Sundry debtors | 1,04,000 | | |
| Furniture | 16,000 | | |
| Plant and Machinery | 1,80,000 | | |
| Opening stock | 40,000 | | |
| Purchases | 1,60,000 | | |
| Sales return | 6,000 | | |
| Carriage inwards | 7,200 | | |
| Carriage outwards | 1,600 | | |
| Wages | 84,000 | | |
| Salaries | 53,000 | | |

Closing stock □ 35,000.

The trading account, profit and loss account and a balance sheet are prepared below:

Trading Account as on March 31, 2017

Dr.

Cr.

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

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| | | | | |
|--------------------------------|---------------------|--------------------|----------|----------|
| Opening Stock | 40,000 | Sales | 4,40,000 | |
| Purchases | | Less: Sales Return | 6,000 | 4,34,000 |
| Less: Purchases Return | 1,60,000 (8,000) | Closing Stock | | 35,000 |
| | 1,52,000 | | | |
| Lighting (Factory) | 2,800 | | | |
| Carriage Inwards | 7,200 | | | |
| Wages | 84,000 | | | |
| | 1,83,000 | | | |
| Profit and Loss (Gross Profit) | 4,69,000 | | | 4,69,000 |
| | | | | |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|---------------------|-------------|------------------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Insurance | 3,000 | Trading (Gross Profit) | 1,83,000 |
| General Expenses | 29,000 | Discount Received | 10,400 |
| Rent and Taxes | 14,400 | | |
| Travelling Expenses | 7,400 | | |
| Carriage Outwards | 1,600 | | |
| Salaries | 53,000 | | |
| Net Profit | 85,000 | | |
| | 1,93,400 | | 1,93,400 |
| | | | |

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Balance Sheet as on March 31, 2017

| Liabilities | Amount ₹ | Assets | Amount ₹ |
|-----------------|-------------|---------------------|-------------|
| Capital | 2,50,000 | Plant and Machinery | 1,80,000 |
| Add: Net Profit | 85,000 | Furniture | 16,000 |
| | 3,35,000 | Sundry Debtors | 1,04,000 |
| Less: Draw ings | (36,000) | Closing Stock | 35,000 |
| | 2,99,000 | Bills Receivable | 5,000 |
| Creditors | 50,000 | Cash in Hand | 12,600 |
| Bills Payable | 3,600 | | |
| | 3,52,600 | | 3,52,600 |
| | | | |

10. Prepare trading and profit and loss account and balance sheet from the following particulars as on March 31, 2017.

| Account Title | Debit Amount ₹ | Credit Amount ₹ |
|------------------------------------|-------------------|--------------------|
| Purchases and Sales | 3,52,000 | 5,60,000 |
| Return inwards and Return outwards | 9,600 | 12,000 |
| Carriage inwards | 7,000 | |
| Carriage outwards | 3,360 | |
| Fuel and power | 24,800 | |
| Opening stock | 57,600 | |
| Bad debts | 9,950 | |
| Debtors and Creditors | 1,31,200 | 48,000 |
| Capital | | 3,48,000 |
| Investment | 32,000 | |

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Financial Statements - 1

| | | |
|------------------------|----------|--------|
| Interest on investment | | 3,200 |
| Loan | | 16,000 |
| Repairs | 2,400 | |
| General expenses | 17,000 | |
| Wages and salaries | 28,800 | |
| Land and buildings | 2,88,000 | |
| Cash in hand | 32,000 | |
| Miscellaneous receipts | | 160 |
| Sales tax collected | | 8,350 |

Closing stock ₹ 30,000.

Trading and profit and loss account and balance sheet for the question is posted below:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|--------------------------------|----------------------|----------------------|-------------|
| Particulars | Amount ₹ | Particulars | Amount ₹ |
| Opening Stock | 57,600 | Sales | 5,60,000 |
| Purchases | | Less: Return Inwards | (9,600) |
| Less: Return Outwards | 3,52,000 (12,000) | Closing Stock | 30,000 |
| Carriage Inwards | 7,000 | | |
| Fuel and Power | 24,800 | | |
| Wages and Salaries | 28,800 | | |
| Profit and Loss (Gross Profit) | 1,22,200 | | |
| | 5,80,400 | | 5,80,400 |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|-------------|-------------|-------------|-------------|
| Particulars | Amount ₹ | Particulars | Amount ₹ |

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Financial Statements - 1

| | | | |
|-------------------|----------|------------------------|----------|
| Carriage Outwards | 3,360 | Trading (Gross Profit) | 1,22,200 |
| Bad Debts | 9,950 | Interest on Investment | 3,200 |
| Repairs | 2,400 | Miscellaneous Receipts | 160 |
| General Expenses | 17,000 | | |
| Net Profit | 92,850 | | |
| | 1,25,560 | | 1,25,560 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | Amount | Assets | Amount |
|---------------------------|----------|-------------------|----------|
| | □ | | □ |
| Capital 3,48,000 | | Land and Building | 2,88,000 |
| Add: Net Profit 92,850 | 4,40,850 | Investment | 32,000 |
| | | Debtors | 1,31,200 |
| Loan 16,000 | | Closing Stock | 30,000 |
| Creditors 48,000 | | Cash in Hand | 32,000 |
| Sales Tax Collected 8,350 | | | |
| | 5,13,200 | | 5,13,200 |
| | | | |

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Financial Statements - 1

11. From the following trial balance of Mr. A. Lal, prepare trading, profit and loss account and balance sheet as on March 31, 2017.

| Account Title | Debit Amount □ | Credit Amount □ |
|------------------------------|-------------------|--------------------|
| Stock as on April 01, 2016 | 16,000 | |
| Purchases and Sales | 67,600 | 1,12,000 |
| Returns inwards and outwards | 4,600 | 3,200 |
| Carriage inwards | 1,400 | |
| General expenses | 2,400 | |
| Bad debts | 600 | |
| Discount received | | 1,400 |
| Bank over draft | | 10,000 |
| Interest on bank overdraft | 600 | |
| Commission received | | 1,800 |
| Insurance and taxes | 4,000 | |
| Scooter expenses | 200 | |
| Salaries | 8,800 | |
| Cash in hand | 4,000 | |
| Scooter | 8,000 | |
| Furniture | 5,200 | |
| Building | 65,000 | |
| Debtors and Creditors | 6,000 | 16,000 |
| Capital | | 50,000 |

Closing stock □ 15,000.

Trading and profit and loss account and balance sheet for the question is posted below:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|-----------------------|-------------|----------------------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Opening Stock | 16,000 | Sales | 1,12,000 |
| Purchases | | Less: Sales Return Inwards | |
| Less: Return Outwards | 67,600 | | 1,07,400 |
| | 64,400 | Closing Stock | 15,000 |
| | (3,200) | | |

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Financial Statements - 1

| | | |
|--------------------------------|----------|----------|
| Carriage Inwards | 1,400 | |
| Profit and Loss (Gross Profit) | 40,600 | |
| | 1,22,400 | 1,22,400 |
| | | |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|----------------------------|--------|------------------------|--------|
| Particulars | Amount | Particulars | Amount |
| General Expenses | 2,400 | Trading (Gross Profit) | 40,600 |
| Bad Debts | 600 | Discount Received | 1,400 |
| Interest on Bank Overdraft | 600 | Commission Received | 1,800 |
| Insurance and Taxes | 4,000 | | |
| Scooter Expenses | 200 | | |
| Salaries | 8,800 | | |
| Net Profit | 27,200 | | |
| | 43,800 | | 43,800 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | Amount | Assets | Amount |
|-------------|--------|----------|--------|
| Capital | 50,000 | Building | 65,000 |

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Financial Statements - 1

| | | | | |
|-----------------|--------|----------|---------------|----------|
| Add: Net Profit | 27,200 | 77,200 | Furniture | 5,200 |
| | | | Scooter | 8,000 |
| Creditors | | 16,000 | Debtors | 6,000 |
| Bank Overdraft | | 10,000 | Closing Stock | 15,000 |
| | | | Cash in Hand | 4,000 |
| | | 1,03,200 | | 1,03,200 |
| | | | | |

12. Prepare trading and profit and loss account and balance sheet of M/s Royal Traders from the following balances as on March 31, 2017.

| Debit balances | Amount ₹ | Credit balances | Amount ₹ |
|-----------------------|----------|-----------------|----------|
| Stock | 20,000 | Sales | 2,45,000 |
| Cash | 5,000 | Creditors | 10,000 |
| Bank | 10,000 | Bills payable | 4,000 |
| Carriage on purchases | 1,500 | Capital | 2,00,000 |
| Purchases | 1,90,000 | | |
| Drawings | 9,000 | | |
| Wages | 55,000 | | |
| Machinery | 1,00,000 | | |
| Debtors | 27,000 | | |
| Postage | 300 | | |
| Sundry expenses | 1,700 | | |
| Rent | 4,500 | | |
| Furniture | 35,000 | | |

Closing stock ₹ 8,000.

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Trading and profit and loss account and balance sheet is prepared below:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|-----------------------|-------------|------------------------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Opening Stock | 20,000 | Sales | 2,45,000 |
| Purchases | 1,90,000 | Closing Stock | 8,000 |
| Carriage on Purchases | 1,500 | Profit and Loss (Gross Loss) | 13,500 |
| Wages | 55,000 | | |
| | 2,66,500 | | 2,66,500 |
| | | | |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|----------------------|-------------|-------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Trading (Gross Loss) | 13,500 | | |
| Postage | 300 | | |
| Sundry Expenses | 1,700 | | |
| | 4,500 | | |
| Rent | | Net Loss | 20,000 |
| | 20,000 | | 20,000 |

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Financial Statements - 1

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

Balance Sheet of M/s Royal Traders as on March 31, 2017

| Liabilities | Amount □ | Assets | Amount □ |
|-------------------------|-------------|---------------|-------------|
| Capital 2,00,000 | | Machinery | 1,00,000 |
| Less: Net Loss (20,000) | | Furniture | 35,000 |
| Less: Draw ings (9,000) | 1,71,000 | Debtors | 27,000 |
| | | Closing Stock | 8,000 |
| Creditors | 10,000 | Bank | 10,000 |
| Bills Payable | 4,000 | Cash | 5,000 |
| | 1,85,000 | | 1,85,000 |
| | | | |

13. Prepare trading and profit and loss account from the following particulars of M/s Neema Traders as on March 31, 2017.

| Account Title | Debit Amount □ | Account Title | Credit Amount □ |
|---------------|----------------------|---------------|-----------------------|
| Buildings | 23,000 | Sales | 1,80,000 |
| Plant | 16,930 | Loan | 8,000 |

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| | | | |
|------------------|----------|------------------|----------|
| Carriage inwards | 1,000 | Bills payable | 2,520 |
| Wages | 3,300 | Bank overdraft | 4,720 |
| Purchases | 1,64,000 | Creditors | 8,000 |
| Sales return | 1,820 | Capital | 2,36,000 |
| Opening stock | 9,000 | Purchases return | 1,910 |
| Machinery | 2,10,940 | | |
| Insurance | 1,610 | | |
| Interest | 1,100 | | |
| Bad debts | 250 | | |
| Postage | 300 | | |
| Discount | 1,000 | | |
| Salaries | 3,000 | | |
| Debtors | 3,900 | | |

Stock on March 31, 2017 □ 16,000.

Trading and profit and loss account and balance sheet is prepared below:

Trading Account as on March 31, 2017

| Dr. | | Cr. | |
|--------------------------------|-------------|--------------------|-------------|
| Liabilities | Amount □ | Assets | Amount □ |
| Opening Stock | 9,000 | Sales | 1,80,000 |
| Purchases | 1,64,000 | Less: Sales Return | (1,820) |
| Less: Purchases Return | (1,910) | Closing Stock | 16,000 |
| | 1,62,090 | | |
| Carriage Inwards | 1,000 | | |
| Wages | 3,300 | | |
| Profit and Loss (Gross Profit) | 18,790 | | |
| | 1,94,180 | | 1,94,180 |
| | | | |

NCERT Solution for Class 11 Accountancy Chapter 9 – Financial Statements - 1

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|-------------|-------------|------------------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Insurance | 1,610 | Trading (Gross Profit) | 18,790 |
| Interest | 1,100 | | |
| Bad Debts | 250 | | |
| Postage | 300 | | |
| Discount | 1,000 | | |
| Salaries | 3,000 | | |
| Net Profit | 11,530 | | |
| | 18,790 | | 18,790 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | | Amount □ | Assets | | Amount □ |
|-----------------|----------|-------------|---------------|--|-------------|
| Capital | 2,36,000 | | Building | | 23,000 |
| Add: Net Profit | 11,530 | 2,47,530 | Plant | | 16,930 |
| | | | Machinery | | 2,10,940 |
| Loan | | 8,000 | Debtors | | 3,900 |
| Creditors | | 8,000 | Closing Stock | | 16,000 |

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Financial Statements - 1

| | | |
|----------------|----------|----------|
| Bills Payable | 2,520 | |
| Bank Overdraft | 4,720 | |
| | | |
| | 2,70,770 | 2,70,770 |
| | | |

14. From the following balances of M/s Nilu Sarees as on March 31, 2017. Prepare trading and profit and loss account and balance sheet as on date.

| Account Title | Debit Amount | Account Title | Credit Amount |
|--------------------|--------------|---------------|---------------|
| | ₹ | | ₹ |
| Opening stock | 10,000 | Sales | 2,28,000 |
| Purchases | 78,000 | Capital | 70,000 |
| Carriage inwards | 2,500 | Interest | 7,000 |
| Salaries | 30,000 | Commission | 8,000 |
| Commission | 10,000 | Creditors | 28,000 |
| Wages | 11,000 | Bills payable | 2,370 |
| Rent and taxes | 2,800 | | |
| Repairs | 5,000 | | |
| Telephone expenses | 1,400 | | |
| Legal charges | 1,500 | | |
| Sundry expenses | 2,500 | | |
| cash in hand | 12,000 | | |
| Debtors | 30,000 | | |
| Machinery | 60,000 | | |
| Investments | 90,000 | | |
| Drawings | 18,000 | | |

Closing stock, as on March 31, 2017 ₹ 22,000.

Trading Account of M/s Nilu Sarees as on March 31, 2017

Dr.

Cr.

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

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| | | | |
|--------------------------------|----------|---------------|----------|
| Opening Stock | 10,000 | Sales | 2,28,000 |
| Purchases | 78,000 | Closing Stock | 22,000 |
| Carriage Inwards | 2,500 | | |
| Wages | 11,000 | | |
| Profit and Loss (Gross Profit) | 1,48,500 | | |
| | 2,50,000 | | 2,50,000 |
| | | | |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|--------------------|-------------|------------------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Salaries | 30,000 | Trading (Gross Profit) | 1,48,500 |
| Commission | 10,000 | Interest | 7,000 |
| Rent and Taxes | 2,800 | Commission | 8,000 |
| Repairs | 5,000 | | |
| Telephone Expenses | 1,400 | | |
| Legal Charges | 1,500 | | |
| Sundry Expenses | 2,500 | | |
| Net Profit | 1,10,300 | | |
| | 1,63,500 | | 1,63,500 |
| | | | |

Balance Sheet as on March 31, 2017

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Financial Statements - 1

| Liabilities | | Amount □ | Assets | | Amount □ |
|------------------------|-----------------|-----------------|---------------|--|-----------------|
| Capital | 70,000 | 1,62,300 | Machinery | | 60,000 |
| <i>Add: Net Profit</i> | <u>1,10,300</u> | | Investments | | 90,000 |
| | 1,80,300 | | Debtors | | 30,000 |
| <i>Less: Draw ings</i> | <u>(18,000)</u> | | Closing Stock | | 22,000 |
| | | | Cash in Hand | | 12,000 |
| Creditors | | 28,000 | | | |
| Bills Payable | | 2,370 | | | |
| Suspense | | 21,330 | | | |
| | | | | | |
| | | <u>2,14,000</u> | | | <u>2,14,000</u> |
| | | | | | |

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15. Prepare trading and profit and loss account of M/s Sports Equipments for the year ended March 31, 2017 and balance sheet as on that date:

| Account Title | Debit Amount □ | Credit Amount □ |
|-----------------------|----------------------|-----------------------|
| Opening stock | 50,000 | |
| Purchases and sales | 3,50,000 | 4,21,000 |
| Sales returns | 5,000 | |
| Capital | | 3,00,000 |
| Commission | | 4,000 |
| Creditors | | 1,00,000 |
| Bank overdraft | | 28,000 |
| Cash in hand | 32,000 | |
| Furniture | 1,28,000 | |
| Debtors | 1,40,000 | |
| Plants | 60,000 | |
| Carriage on purchases | 12,000 | |
| Wages | 8,000 | |
| Rent | 15,000 | |
| Bad debts | 7,000 | |
| Drawings | 24,000 | |
| Stationery | 6,000 | |
| Travelling expenses | 2,000 | |
| Insurance | 7,000 | |
| Discount | 5,000 | |
| Office expenses | 2,000 | |

Closing stock as on March 31, 2017 □ 2,500

Trading and profit and loss account and balance sheet is prepared below:

Trading Account as on March 31, 2017

Dr.

Cr.

| Particulars | Amount □ | Particulars | Amount □ |
|---------------|-------------|-------------|-------------|
| Opening Stock | 50,000 | Sales | 4,21,000 |

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| | | | | |
|-----------------------|----------|------------------------------|-------|----------|
| Purchases | 3,50,000 | Less: Sales Return | 5,000 | 4,16,000 |
| Carriage on Purchases | 12,000 | Closing Stock | | 2,500 |
| Wages | 8,000 | Profit and Loss (Gross Loss) | | 1,500 |
| | 4,20,000 | | | 4,20,000 |
| | | | | |

Profit and Loss Account as on March 31, 2017

| Dr. | | Cr. | |
|----------------------|-------------|-------------|-------------|
| Particulars | Amount □ | Particulars | Amount □ |
| Trading (Gross Loss) | 1,500 | Commission | 4,000 |
| Rent | 15,000 | Net Loss | 41,500 |
| Bad Debts | 7,000 | | |
| Stationery | 6,000 | | |
| Travelling Expenses | 2,000 | | |
| Insurance | 7,000 | | |
| Discount | 5,000 | | |
| Office Expenses | 2,000 | | |
| | 45,500 | | 45,500 |
| | | | |

Balance Sheet as on March 31, 2017

| Liabilities | | Amount □ | Assets | | Amount □ |
|----------------|----------|-------------|-----------|--|-------------|
| Capital | 3,00,000 | | Plants | | 60,000 |
| Less: Net Loss | (41,500) | | Furniture | | 1,28,000 |

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| | | | | |
|-----------------|----------|----------|---------------|----------|
| Less: Draw ings | (24,000) | 2,34,500 | Debtors | 1,40,000 |
| | | | Closing Stock | 2,500 |
| Creditors | | 1,00,000 | Cash in Hand | 32,000 |
| Bank Overdraft | | 28,000 | | |
| | | 3,62,500 | | 3,62,500 |
| | | | | |