

- Financial Statements - 2

Short Question for NCERT Accountancy Solutions Class 11 Chapter 10

1. Why is it necessary to record the adjusting entries in the preparation of final accounts?

Recording adjusting entries in preparing final accounts is necessary because of the following reasons:

- 1. It helps in assessing whether the final accounts reflect true profit or loss, also it shows true financial position of a business.
- 2. It ensures accounts comply with the accrual basis of accounting.
- 3. It makes sure that all financial transaction belong to current fiscal year. No transaction of past or future are taken into account.
- 4. It provides the scope for introducing different provisions which can be made at year end, only after assessing whole year's performance.

2. What is meant by closing stock? Show its treatment in final accounts.

Cost of goods that remains unsold in the inventory after completion of the accounting period is referred to as the closing stock. The closing stock value is determined by comparing the realisable value and cost price. The lesser among two values is considered as the value of closing stock.

In final accounts the closing stock is adjusted by:

- 1) Crediting the closing stock to trading and profit and loss account.
- 2) Placing it on the asset part of the balance sheet.

Following entries need to be passed for adjustment

Closing Stock A/c Dr.

To Trading A/c

3. State the meaning of:



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- (a) Outstanding expenses
- (b) Prepaid expenses
- (c) Income received in advance
- (a) Outstanding Expenses: Such expenses are incurred in the present accounting period but are not paid. As expense is generated during accounting period it makes perfect sense to charge it against revenue earned to arrive at true profit or loss. These are liabilities and need to be paid.
- (b) Prepaid Expenses: Those type of expenses in which the associated benefit has not been materialized, but the payment is already done in advance are known as prepaid expenses.
- (c) Income received in advance: The income is received in the present accounting period and the benefits will be realised in the upcoming accounting period, such income is called income received in advance.
- (d) Accrued Income: Income that is earned in the accounting period, but yet to be received by end of accounting period is known as accrued income. It is due to be received in the future accounting periods. It is shown on asset side of balance sheet.
- 4. Give the proforma of income statement and balance in vertical form.

Income statement for the period ended

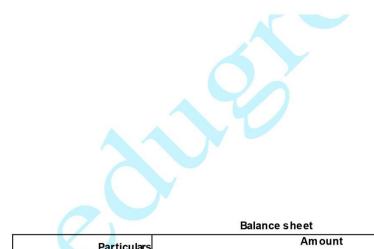
A 4	Particulars	Amount	Amount	(d)	Accrued income
Sales					
Less: Sales returns (Return inw ards)					
Total Sales Revenue					
Cost of goods					
Purchases					
Less: Purchase returns (Return outw ards) Carriage on purchases					

Wages		www.edug	rooss.com		
ages ages					
ING KNOWLEDGE	NCERT Solution	n for Class	11 Acco	untand	cy Chapter 10
ctory rent	_	Financi	al Staten	nents -	
Installation or		i manoi	ai Otatoii	101110	
erection of machines					
Octroi					
Less: Closing					
tock ross					
Profit/Gross Loss					
(w hichever is applicable)					
Operating					
Expenses/Losses					
Selling Expenses/Losses					
otal Selling					
expenses General &					
dministrative					
xpenses/losses					
Fotal General & Administrative					
Expenses					
Total Operating Expenses/Losses					
xpenses/Losses					



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Amount



Particulars



Current Assets		
Prepaid expenses		
Total current assets		
Current Liabilities		
Total current Liabilities		
Non-Current		
Assets		



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Total non-current assets		
Non-Current Liabilities		
	6	
Total non-current Liabilities		
Capital		

5. Why is it necessary to create a provision for doubtful-debts at the time of preparation of final accounts?



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In an ideal scenario, it is expected that debtors will be paying all the amount owed by them to the business, in reality it doesn't happen as some debtors might default on paying. It can be the full amount or a part of the sum borrowed. It is uncertain as to how much will that debt actually becomes bad debt. A business has to make a reasonable estimate for such an event. This estimate is called as provision for bad debts. It is created by debiting P & L account.

Profit	and	Loss	A/c	Dr

To Provision for doubtful debts A/c

- 6. What adjusting entries would you record for the following?
- (a) Depreciation
- (b) Discount on debtors
- (c) Interest on capital
- (d) Manager's commission
- (a) Depreciation

Dr.

Cr.

Particulars	Am ount	Particulars	Am ount
Depreciation	2		

Liabilities	Am ount	Assets	Am ount
		Assets	
		Less: Depreciation	

(b) Discount on debtors

Dr.				Cr
Particulars	Am ount	Particulars	Am ount	

Liabilities	Am ount	Assets	Am ount



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	100											
Discount on Debto	rs								1	Debtors		
										Less:	Discount on De	btors
(c) Interest on	capital											
Dr.					Cr.				_	_		
Particulars	Amount	Part	iculars		Amount			Liabilities	Amou	nt	Assets	Amount
Interest on Capital						C		ld: Interest on apital				
(d) Manager's commission Two types of manager commission can be seen.												
I wo types of it	iariayei	COII	1111331011	Carr	De Seen.							
Case 1: When commission is applied on the profit before commission being charged.												
Dr.						Cr.						
Particulars	Am	ount	Particula	ars	Amount	01.		Liabilities	5	Amount	Assets	Amount
Manager's Commi	-							Outstanding Ma				
a.ragor o commi								Commission	agor s			
								Commission				

Case 2: When commission is applied on the profit after charging the commission.



Dr.			Cr					
Particulars	Am ount	Particulars	Amount		Liabilities	Am ount	Assets	Am ou
				1	Outstanding Manager's			
					Commission			
				-				
				-				
Manager's Commission)
]				
				_				
7. What is meant	by prov	ision for d	iscount on debtors	?				
A business allows of	discoun	ts to debtors	for encouraging the	em to	clear the debts. Th	e amou	nt of discoun	t that a
debtor will receive i	is estim	ated and ac	counted for by creat	ing a	provision for discou	unt on d	ebtors. It is o	nly for
those debtors who	repay o	n time. The	journal entry for suc	ch eve	ent can be written a	s:		
Profit and Loss A/c	:							
Dr.								
To Provision for Dis	scount o	on Debtors A	Vc					
Discount to debtors	is an e	expense and	hence it is shown in	n exp	ense side of P & L a	account	and deducte	d from
assets side in the b		•	7	,,,				
8. Give the journa	l entrie	s for the fol	lowing adjustmen	ts:				
(a) Outstanding sa	alary at	□ 3,500.						
(b) Rent unpaid fo	r one r	nonth at □	6,000 perannum.					
(c) Insurance prep	paid for	a quarter a	nt □ 16,000 peranr	num.				
(d) Purchase of fu	rniture	costing 🗆	7,000 entered in th	e pu	rchases book.			



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c)	Prepaid Insurance A/c Dr. To Insurance A/c (Insurance premium paid in advance for 3 months i.e. ₹ 4000)	4,000	4,000	
d)	Furniture A/c Dr. To Purchases A/c (Correction entry for Wrong debit of Furniture to Purchases Account)	7,000	7,000	

(Rent unpaid for one month = 6000/12 = ₹ 500)



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Long Question for NCERT Accountancy Solutions Class 11 Chapter 10

1. What are adjusting entries? Why are they necessary for preparing the final accounts?

In accrual base of accounting, profit and loss for a year is not dependent only in revenues in cash or expenses paid in cash during the year. Some part of the receipts and expenses that occurred in a year might be belonging to previous/future accounting period. There can be some expenses which are yet to be brought to books of account. Adjusting these items will provide a true and fair view of business.

Recording adjusting entries in preparing final accounts is necessary because of the following reasons:

- 1. It helps in assessing whether the final accounts reflect true profit or loss also it shows true financial position of the business.
- 2. It ensures accounts comply with the accrual basis of accounting.
- It makes sure that all financial transaction belong to current fiscal year. No transaction of past or future are taken into account.
- 4. It provides the scope for introducing various provisions which can be made at year end, only after assessing whole year's performance.

2. What is meant by provision for doubtful-debts? How are the relevant accounts prepared and what journal entries are recorded in the final accounts? How is the amount for provision for doubtful-debts calculated?

In an ideal scenario, it is expected that debtors will be paying all the amount owed by them to the business, in reality it doesn't happen as some debtors might default on paying. It can be the full amount or a part of the sum borrowed. It is uncertain as to how much will that debt actually becomes bad debt. A business has to make a reasonable estimate for such an event. This estimate is called as provision for bad debts. It is created by debiting P & L account.

Profit and Loss A/c Dr

To Provision for doubtful debts A/c



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Provision for doubtful debts is shown as deduction from debtors on asset side of balance sheet. It presents a true and fair view of business. Provision for doubtful debts created at the end of the accounting period is carried forward to the next accounting period.

Adjustment entries for the provision for doubtful debts



- 3. Show the treatment of prepaid expenses, depreciation and closing stock at the time of preparation of final accounts when:
- (a) When given inside the Trial Balance?
- (b) When given outside the Trial Balance?



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- (i) Prepaid expenses
- (a) When given inside the Trial Balance: It will be added in the asset side of the Balance Sheet only.

Balance Sheet

Assets	Amount	
Prepaid Expenses		
		A





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(ii) Depreciation

In trial balance depreciation is shown in P & L account as it is an expense. When present in trial balance it means deduction has taken from concerned asset, when depreciation is shown outside trial balance, then it needs to be recorded both in P & L account as well as balance sheet.

1) Inside Trial Balance

Profit and Loss Account

Particulars	Amount	Particulars	Amount
Depreciation		79.	



Sheet

Particulars

Amount Gains/Revenue

Amount

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Liabilities

Am ount

Assets

Am ount

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Closing Stock				Dr
			Closing Stock	Cr





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1. Prepare a trading and profit and loss account for the year ending December 31, 2017 from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet at the end of the year.

Account Title	Amount	Account Title	Amount
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	5,000 Provision for doubtful debts	
Sales return	3,000	3,000 Capital	
Sundry Debtors	82,000 Bills payable		22,000



Discount allow ed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent Rates and Taxes	4,300	Loan	34,800
Fixtures and fittings	20,000		
Trade expenses	1,500		
Bad debts	2,000		
Draw ings	32,000		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram	200		
expenses	200		



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Bills receivable	50,000		
Building	1,10,000		
	5,51,800	-	5,5

Adjustments

1. Commission received in advance $\hfill\Box$ 1,000.

Particulars		Am ount	Particulars		Amount
Opening Stock		50,000	Sales	1,80,000	
Purchases Less: Purchase Returns	1,75,000 2,000	1,73,000	Less: Sales Returns Closing Stock	3,000	1,77,000 32,000
Wages		3,000	Gross Loss		17,000
	1.85				



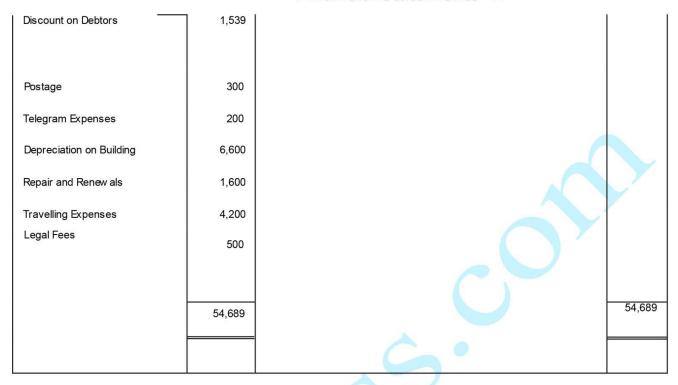
ı	î	1	
		2,26,000	2,26,000
	_		
L 3. Salary outstanding 1,000	and insura	nce prepaid _□ 800.	
4. Further bad debts □1,000 @ 2%	and provisi	on for doubtful debts @ 5% on debtors an	d discount on debtors
5. Closing stock $_{\square}$ 32,000.			
6. Depreciation on building (@ 6% p.a.		
The solution is given below:			
		Books of M/s. Rahul Sons.	
	Trading A	count for the year ending December 31, 2017	
Dr.			Cr.
2. Rent receivable □ 2,000.			
	Profit and Los	Account for the year ending December 31, 2017	
Dr.			Cr.
Particulars	Amount	Particulars	Amount
	П		



Gross Loss	17,000	Discount Received		500
Salary 8,000		Commission Received	4,000	
Add: Outstanding Salary 1,000	9,000	Less: Advance Commission	1,000	3,000
Discount Allow ed	1,000			
Insurance 3,200		Rent	6,000	
Less: Insurance Prepaid 800	2,400	Add: Rent Receivable	2,000	8,000
Rent Rates and Taxes	4,300			
Treft rates and raxes	4,500			
Trade Expenses	1,500	Net Loss		43,189
_				
A 4				
Bad-Debts 2,000				
Add: Further Bad-Debts 1,000				
Add: New Provision 4,050				
Less: Old Provision 2,500	4,550			
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2. Prepare a trading and profit and loss account of M/s Green Club Ltd. for the year ending March 31, 2017 from the following figures taken from his trial balance:



Account	Amount	Account Title	Amount
Title			
Opening stock	35,000	Sales	2,50,000
Purchases	1,25,000	Purchase return	6,000
Return inw ards	25,000	Creditors	10,000
Postage and Telegram	600	Bills payable	20,000
Salary	12,300	Discount	1,000
Wages	3,000	Provision for bad debts	4,500
Rent and Rates	1,000	Interest received	5,400
Packing and Transport	500	Capital	75,000
General expense	400		
Insurance	4,000		



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Adjustments

- 1. Depreciation charged on machinery @ 5% p.a.
- 2. Further bad debts \square 1,500, discount on debtors @ 5% and make a provision on debtors @ 6%
- 3. Wages prepaid ☐ 1,000.
- 4. Interest on investment @ 5% p.a.



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Balance Sheet



3. The following balances has been extracted from the trial of M/s Runway Shine Ltd. Prepare a trading and profit and loss account and a balance sheet as on March 31, 2017.



Account Title	Amount	Account Title	Amount
Purchases	1,50,000	Sales	2,50,000
Opening stock	50,000	Return outw ards	4,500
Return inw ards	2,000	Interest received	3,500
Carriage inw ards	4,500	Discount received	400
Cash in hand	77,800	Creditors	1,25,000
Cash at bank	60,800	Bill payable	6,040
Wages	2,400	Capital	1,00,000
Printing and Stationery	4,500	C	
Discount	400	~	
Bad debts	1,500		
Insurance	2,500		
Investment	32,000		
Debtors	53,000		
Bills receivable	20,000		
Postage and Telegraph	400		
Commission	200		
Interest	1,000		
Repair	440		
Lighting Charges	500		



Telephone charges	100	
Carriage outward	400	





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6	Motor car	25,000	
		4,89,440	4,89,440

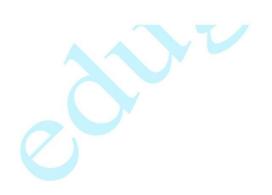
Adjustments

1. Further bad debts □ 1,000. Discount on debtors □ 500 and make a provision on debtors	@ !	5 %	% .
---	-----	------------	------------

Particulars		Amount	Pa	nrticulars	Amount
Opening Stock		50,000	Sales	2,50,000	
Purchases	1,50,000		Less: Return	n Inw ards 2,000	2,48,000
Less: Return Outw ards	4,500	1,45,500	Closing Stock		32,500
Carriage Inw ards		4,500			
Wages	2,400				
Add: Outstanding Wages	100	2,500			



Gross Profit	78,000		2. Interest received on investment @ 5%.					
3. Wages and interest outstanding	ng □100 and □2	200 respectively.						
4. Depreciation charged on motor	or car @ 5% p.a							
5. Closing Stock \square 32,500.	5. Closing Stock _□ 32,500.							
The solution is given below:								
	Trading <i>i</i>	Account						
Dr.			Cr.					





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	2,80,500	2,80,500

Profit and Loss Account

Dr. Cr.

	Amount	White our or the contract of t	
Particulars		Particulars	
Carriage Outw ard	400	Gross Profit	78,000
Printing and Stationery	4,500	Interest Received	3,500
Discount	400	Discount Received	400
Bad Debts 1,500		Interest Received on Investment	1,600
Add: Further Bad Debts 1,000			
Add: New Provision 2,600	5,100		
Discount on Debtors	500		
Insurance	2,500		
Postage and Telegraph	400		
Commission	200		
Interest 1,000			
Add: Outstanding Interest 200 Repair	1,200 440		
Lighting Charges	500		
Telephone Charges	100		
Depreciation on Motor Car	1,250		



Net Profit			
	66,010		





	83,500	83,500





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4. The following balances have been extracted from the trial of M/s Haryana Chemical Ltd. You are required to prepare a trading and profit and loss account and balance sheet as on March 31, 2017 from the given information.

Account Title	Amount	Account Title	Amount
Opening stock	50,000	Sales	3,50,000
Purchases	1,25,500	Purchases return	2,500
Sales return	2,000	Creditors	25,000
Cash in hand	21,200	Rent	5,000
Cash at bank	12,000	Interest	2,000
Carriage	100	Bills payable	1,71,700
Free hold land	3,20,000	Capital	3,00,000
Patents	1,20,000		
General Expenses	2,000		
Sundry Debtors	32,500		
Building	86,000		
M achine ry	34,500		
Insurance	12,400		
Drawings	10,000		
Motor vehicle	10,500		
Bad debts	2,000		



Light and Water	1,200	
Trade expenses	2,000	
Power	3,900	
Salary and Wages	5,400	





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Loan a 15% (01.09.2017)	3,000		
	8,56,200	8,56,200	

Adjustments

- 1. Closing stock was valued at the end of the year \square 40,000.
- 2. Salary amounting $\hfill\Box$ 500 and trade expense $\hfill\Box$ 300 are due.



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Working Note

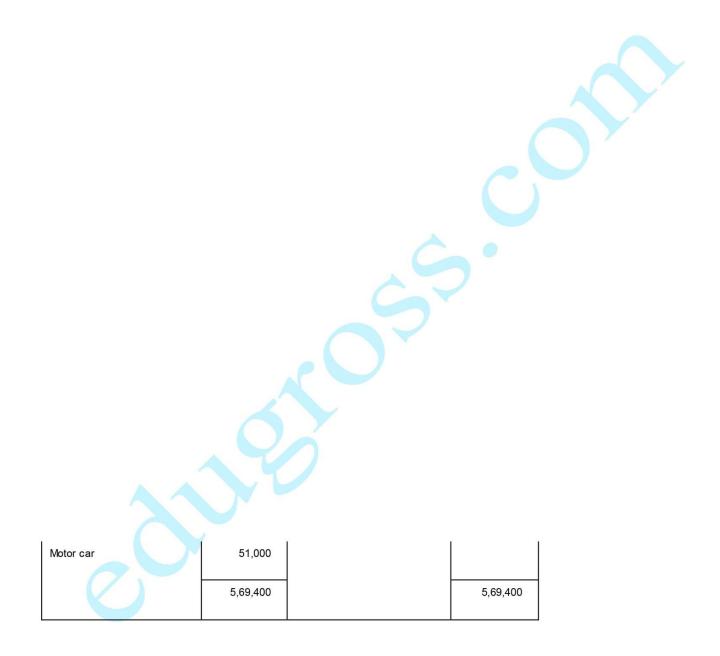
The loan given bears an interest of 15% p.a. and interest is unpaid from 01-9-2017 to 31-12-2017. Thus, interest for loan is outstanding for four months. It is calculated as follows:

5. From the following information prepare trading and profit and loss account of M/s Indian sports house for the year ending March 31, 2017.





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Adjustments

1. Closing stock was \square 45,000.



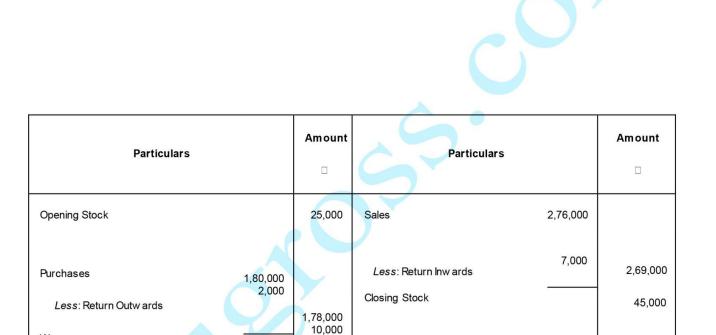
Wages

Freight

Gross Profit

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4,000

97,000

3,14,000

3,14,000



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- 2. Provision for doubtful debts is to be maintained @ 2% on debtors.
- 3. Depreciation charged on: furniture and fixture @ 5%, plant and Machinery @ 6% and motor car @ 10%.
- 4. A Machine of \square 30,000 was purchased on October 01, 2016.
- 5. The manager is entitle to a commission of @ 10% of the net profit after charging such commission.

The solution is given below:

Trading Account

Dr. Cr.





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Working Notes

1. Manager's Commission



2. Out of the machinery of \Box 1, 00,000, \Box 30,000 worth of machinery was purchased on 01/October/2016. Therefore, the depreciation on this machinery will be for 6 months at 6% p.a.

*Depreciation on machinery (30,000) =
$$30,000 \times \frac{6}{12} \times \frac{6}{100} = 900$$

**The rest of the machinery of $_{\square}$ 70,000 will bear depreciation at 6% p.a.

Depreciation on machinery (70,000) =
$$70,000 \times \frac{6}{12} = 900$$





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6. Prepare the trading and profit and loss account and a balance sheet of M/s Shine Ltd. from the following particulars.

Account Title	Amount	Account Title	Amount	
				Adjustments
Sundry debtors	1,00,000	Bills payable	85,550	1. Closing stock was valued □ 35,000.
Bad debts	3,000	Sundry creditors	25,000	2. Depreciation
Trade expenses	2,500	Provision for bad debts	1,500	charged on furniture and fixture @ 5%
Printing and Stationary	5,000	Return outwards	4,500	3. Further bad debts ☐ 1,000. Make a
Rent, Rates and Taxes	3,450	Capital	2,50,000	provision for bad debts @ 5% on sundry debtors.
Freight	2,250	Discount received	3,500	4. Depreciation
Sales return	6,000	Interest received	11,260	charged on motor car @ 10%
Motor car	25,000	Sales	1,00,000	5. Interest on drawing @ 6%
Opening stock	75,550			6. Rent, rates and
Furniture and Fixture	15,500			taxes was outstanding □ 200.
Purchases	75,000			7. Discount on debtors 2%.
Draw ings	13,560			
Investments	65,500			The solution is given below:
Cash in hand	36,000			
Cash in bank	53,000			
	4,81,310		4,81,310	
				I



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7. Following balances have been extracted from the trial balance of M/s Keshav Electronics Ltd. You are required to prepare the trading and profit and loss account and a balance sheet as on March 31, 2017.

Account Title	Amount	Account Title	Amount
	П		П
Opening stock	2,26,000	Sales	6,80,000
Purchases	4,40,000	Return outw ards	15,000
Draw ings	75,000	Creditors	50,000
Buildings	1,00,000	Bills payable	63,700
Motor van	30,000	Interest received	20,000
Freight inw ards	3,400	Capital	3,50,000
Sales return	10,000	6	
Trade expense	3,300		
Heat and Pow er	8,000		
Salary and Wages	5,000		
Legal expense	3,000		
Postage and Telegram	1,000		
Bad debts	6,500		
Cash in hand	79,000		
Cash at bank	98,000		
Sundry debtors	25,000		
Investments	40,000		
Insurance	3,500		



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Machinery	22,000	
	11,78,700	11,78,700

The following additional information is available:

- 1. Stock on December 31, 2017 was ☐ 30,000.
- 2. Depreciation is to be charged on building at 5% and motor van at 10%
- 3. Provision for doubtful debts is to be maintained at 5% on Sundry Debtors.
- 4. Unexpired insurance was □ 600.
- 5. The Manager is entitled to a commission @ 5% on net profit before charging such commission.



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8. From the following balances extracted from the books of Raga Ltd. Prepare a trading and profit and loss account for the year ended March 31, 20117 and a balance sheet as on that date.

Account Title	Amount	Account Title	Amount
Draw ings	20,000	Sales	2,20,000
Land and Buildings	12,000	Capital	1,01,110
Plant and Machinery	40,000	Discount	1,260
Carriage inw ards	100	Apprentice premium	5,230
Wages	500	Bills payable	1,28,870
Salary	2,000	Purchases return	10,000
Sales return	200		
Bank charges	200		
Coal, Gas and Water	1,200		
Purchases	1,50,000		
Trade Expenses	3,800		
Stock (Opening)	76,800		
Cash at bank	50,000		
Rates and Taxes	870		
Bills receivable	24,500		
Sundry debtors	54,300		

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Cash in hand	30,000	
	4,66,470	4,66,470

The additional information is as under:

- 1. Closing stock was valued at the end of the year □, 20,000.
- 2. Depreciation on plant and machinery charged at 5% and land and building at 10%.
- 3. Discount on debtors at 3%
- 4. Make a provision at 5% on debtors for doubtful debts.
- 5. Salary outstanding was \square 100 and Wages prepaid was \square 40.
- 6. The manager is entitled a commission of 5% on net profit after charging such commission.



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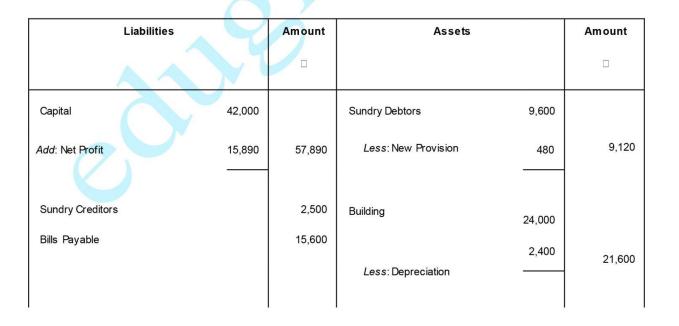
9. From the following balances of M/s Jyoti Exports, prepare trading and profit and loss account for the year ended March 31, 2017 and balance sheet as on this date.

Account Title	Debit	Account Title	Credit
	Amount		Amount
Sundry debtors	9,600	Sundry creditors	2,500
Opening stock	22,800	Sales	72,670
Purchases	34,800	Purchas es returns	2,430
Carriage inwards	450	Bills payable	15,600
Wages	1,770	Capital	42,000
Office rent	820		
Insurance	1,440		



 			
Cleaning charges	940		
Salary	1,590		
outury	.,,,,,		
Building	24,000		
Plant and	3,600		
Machinery	3,000		
Cash in hand	2,160		
	040	,	
Gas and Water	240		
Octroi	60		
Furniture	20,540		
Patents	10,000		
	1,35,200		1,35,200
1			I







Outstanding Salary	350	Plant and Machinery	3,600	
Outstanding Wages	500	Less: Depreciation	180	3,420
Outstanding Insurance	100	Cash in Hand		2,160
		Furniture		20,540
		Patents		10,000
		Closing Stock		10,000
		Prepaid Factory Rent		100
	76,940	Ġ.		76,940
		27		

Account Title	Amount	Account Title	Amount
	П		
Purchases	80,000	Capital	2,10,000
Bank balance	11,000	Bills payable	6,500
Wages	34,000	Sales	2,00,000
Debtors	70,300	Creditors	50,000
Cash in hand	1,200	Return outwards	4,000
Legal expenses	4,000		



- Financial Statements - 2

Building	60,000	
Machinery	120,000	



10. The following balances have been extracted from the books of M/s Green House for the year ended March 31, 2017, prepare trading and profit and loss account and balance sheet as on this date.





Bills receivable	7,000		
Office expenses	3,000		
Opening stock	45,000		
Gas and fuel	2,700		
Freight and Carriage	3,500		
Factory lighting	5,000		
Office furniture	5,000		
Patent right	18,800		
	4,70,500	Ġ.	4,70,500

Particulars	Amount	Particulars	Am ount	
Opening Stock	45,000	Sales	2,00,000	
Purchases 80	,000	Closing Stock	50,000	



- Financial Statements - 2

Less: Return Outwards 4,000	76,000	



Adjustments:

- (a) Machinery is depreciated at 10% and buildings depreciated at 6%.
- (b) Interest on capital @ 4%
- (c) Outstanding wages \square 50.
- (d) Closing stock \Box 50,000.

The solution is given below:

Trading Account

Dr. Cr.



		04.000	ww	w.edugrooss.com		
Ц	GROSS	34,000				
MIS	ING KNOWLEDGE	NCERT Solu	ition for	Class 11 Accountancy Cha	pter 10	
	Add: Wages Outstan	ding 50	34 0 5 i	nancial Statements - 2		
	Gas and Fuel		2,700			
	Freight and Carriage		3,500			
	Factory Lighting		5,000			
	Gross Profit		83,750			
			2,50,000		2,50,000	

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- Financial Statements - 2

11. From the following balances extracted from the book of M/s Manju Chawla on March 31, 2017. You are requested to prepare the trading and profit and loss account and a balance sheet as on this date.

Account Title	Amount	Amount
Opening stock	10,000	
Purchases and Sales	40,000	80,000
Returns	200	600
Wages	6,000	
Dock and cleaning charges	4,000	9
Lighting	500	
Misc. Income	O Y	6,000
Rent		2,000
Capital		40,000
Draw ings	2,000	
Debtors and Creditors	6,000	7,000
Cash	3,000	
Investment	6,000	
Patent	4,000	
Land and Machinery	43,000	
Donations and Charity	600	

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NCERT Solution for Class 11 Accountancy Chapter 10

Sales tax collected		1,000	
Furniture	11,300		
	1,36,600	1,36,600	Closing stock was □ 2,000.

- (a) Interest on drawings @ 7% and interest on capital @ 5%.
- (b) Land and Machinery is depreciated at 5%
- (c) Interest on investment @ 6%.
- (d) Unexpired rent □ 100.







Unearned Rent	1,000			
	100			
		Furniture	11,300	



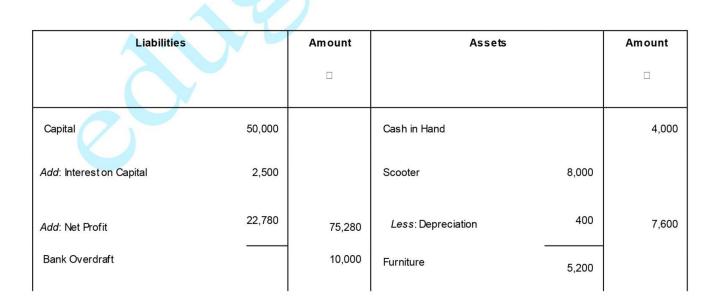
- Financial Statements - 2

	Less: Depreciation	565	10,735 2,000
	Closing Stock	,	2,000
72,945			72,945
72,010			72,010

Debtors	6,000	.6.	
Wages	1,200	6	
	1,94,400		1,94,400

Prepare the trading and profit and loss account for the year ended March 31, 2017 and a balance sheet as on that date.







Creditors	16,000	Less: Depreciation 520	4,680
Outstanding Salary	1,800	Buildings	65,000
Outstanding Wages	200	Debtors	6,000
		Unexpired Insurance	1,000
		Closing Stock	15,000
	4 00 000		4.00.000
	1,03,280	Ċ.	1,03,280

2,73,600

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7,425

2,73,600

Closing stock was valued 20,000	Closing	stock	was	valued	20,000
------------------------------------	---------	-------	-----	--------	--------

- (a) Interest on capital @ 10%.
- (b) Interest on drawings @ 5%
- (c) Wages outstanding $\,\Box\,$ 50.
- (d) Outstanding salary \square 20.
- (e) Provide a depreciation @ 5% on plant and machinery.
- (f) Make a 5% provision on debtors.

The solution is given below: Add: Interest on Capital	6,750	Less: Depreciation	1,350	25,650 6,750
				0,700



Less: Net Loss	8,973		Furniture		
Less: Draw ings	19,530		Debtors	36,000	
Less: Interest on Drawings	977	44,770	Less: New Provision	1,800	34,200
Bank Overdraft		24,660	Investment		41,400
Creditors		58,500	Closing Stock		20,000



Financial Statements - 2

Outstanding Wages	50	
Salary Outstanding	20	
	1,28,000	1,28,000

14. The following balances appeared in the trial balance of M/s Kapil Traders as on March 31, 2017

Sundry debtors 30,500

Bad debts 500

Provision for doubtful debts 2,000

The partners of the firm agreed to records the following adjustments in the books of the Firm. Further bad debts □300. Maintain provision for bad debts 10%. Show the following adjustments in the bad debts account, provision account, debtors account, profit and loss account and balance sheet.

The solution is given below:

Profit and Loss Account

Dr. Cr.

Particulars	Am ount	Particulars	Amount
Bad Debts 500			
Add: Further Bad Debts 300			



Add: New Provision Less: Old Provision	3,020 2,000	1,820	
	_		

Date	Particulars	Am ount	Date	Particulars	Amount
2017			2017		
March 31	Balance b/d	30,500	March 31	Further Bad Debts	300
			March 31	Provision for Doubtful Debts	3,020



		March 31	Balance c/d	27,180
	30,500			30,500

Date	Particulars	Amount	Date	Particulars	Amount
2017			2016		
March 31	Bad Debt	800	April 01	Balance b/d (Old Provision)	2,000
		~	April 01	Profit and Loss	1,820
			/	(Balancing figure)	



- Financial Statements - 2

March 31	Balance b/d	3,020			Bad Debts Account
	(New Provision)				
		3,820		3,820	

15. Prepare the bad debts account, provision for account, profit and loss account and balance sheet from the following information as on March 31. 2017



Liabilities	Amount	Assets	Am ount
		Debtors 80,000 Less: Further Bad Debts 500	0
		Less: New Provision on Debtors 2,385	77,115
			77,115
		Ġ.	