

NCERT Solution for Class 11 Accountancy Chapter 10**- 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

Particulars	Amount □	Amount □	(d) Accrued income
Sales			
Less: Sales returns (Return inwards)			
Total Sales Revenue			
Cost of goods			
Purchases			
Less: Purchase returns (Return outwards)			
Carriage on purchases			

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Factory rent

Installation or
erection of
machines
Octroi

Less: Closing
stock

Gross

Profit/Gross Loss
(whichever is
applicable)

Operating

Expenses/Losses

Selling

Expenses/Losses

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Total Selling

expenses

General &

Administrative

expenses/losses

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.....

.....

.....

.....

.....

Total General &

Administrative

Expenses

Total Operating

Expenses/Losses

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Balance sheet

Particulars	Amount □	Amount □
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.....		
Total non-current assets		
Non-Current Liabilities		
.....		
.....		
.....		
.....		
.....		
.....		
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	Amount	Particulars	Amount
Depreciation			

Liabilities	Amount	Assets	Amount
		Assets	
		Less: Depreciation	

(b) Discount on debtors

Dr.		Cr.	
Particulars	Amount	Particulars	Amount

Liabilities	Amount	Assets	Amount

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Discount on Debtors						Debtors	
						Less: Discount on Debtors	

(c) Interest on capital

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Interest on Capital			

Liabilities	Amount	Assets	Amount
Capital			
Add: Interest on Capital			

(d) Manager's commission

Two types of manager commission can be seen.

Case 1: When commission is applied on the profit before commission being charged.

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Manager's Commission			

Liabilities	Amount	Assets	Amount
Outstanding Manager's Commission			

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

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Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Manager's Commission			

Liabilities	Amount	Assets	Amount
Outstanding Manager's Commission			

7. What is meant by provision for discount on debtors?

A business allows discounts to debtors for encouraging them to clear the debts. The amount of discount that a debtor will receive is estimated and accounted for by creating a provision for discount on debtors. It is only for those debtors who repay on time. The journal entry for such event can be written as:

Profit and Loss A/c

Dr.

To Provision for Discount on Debtors A/c

Discount to debtors is an expense and hence it is shown in expense side of P & L account and deducted from assets side in the balance sheet.

8. Give the journal entries for the following adjustments:

- (a) Outstanding salary at ₹ 3,500.
- (b) Rent unpaid for one month at ₹ 6,000 per annum.
- (c) Insurance prepaid for a quarter at ₹ 16,000 per annum.
- (d) Purchase of furniture costing ₹ 7,000 entered in the purchases 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 = $6000/12 = ₹ 500$)

NCERT Solution for Class 11 Accountancy Chapter 10**- Financial Statements - 2****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.
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 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

Profit and Loss Account

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	

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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

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Depreciation			

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(b) When closing stock is given outside trial balance, it gets posted in two places i.e. P & L account and Balance Sheet

Particulars	Amount	Gains/Revenue	Amount
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Liabilities	Amount	Assets	Amount
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		Closing Stock				Closing Stock		Dr. Cr.
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Numerical Question for NCERT Accountancy Solutions Class 11 Chapter 10

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	Provision for doubtful debts	2,500
Sales return	3,000	Capital	3,00,000
Sundry Debtors	82,000	Bills payable	22,000

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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 renew als	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		

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

Adjustments

1. Commission received in advance ₹ 1,000.

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

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	2,26,000		2,26,000

3. Salary outstanding ₹ 1,000 and insurance prepaid ₹ 800.

4. Further bad debts ₹ 1,000 and provision for doubtful debts @ 5% on debtors and discount on debtors @ 2%.

5. Closing stock ₹ 32,000.

6. Depreciation on building @ 6% p.a.

The solution is given below :

Books of M/s. Rahul Sons.

Trading Account for the year ending December 31, 2017

Dr.

Cr.

2. Rent receivable ₹ 2,000.

Profit and Loss Account for the year ending December 31, 2017

Dr.

Cr.

Particulars	Amount	Particulars	Amount
	₹		₹

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Discount on Debtors	1,539	
Postage	300	
Telegram Expenses	200	
Depreciation on Building	6,600	
Repair and Renew als	1,600	
Travelling Expenses	4,200	
Legal Fees	500	
	54,689	54,689

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:

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Account Title	Amount	Account Title	Amount
	□		□
Opening stock	35,000	Sales	2,50,000
Purchases	1,25,000	Purchase return	6,000
Return inwards	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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Debtors	50,000	
Cash in hand	20,000	
Cash at bank	40,000	
Machinery	20,000	
Lighting and Heating	5,000	
Discount	3,500	
Bad debts	3,500	
Investment	23,100	
	3,71,900	3,71,900

Adjustments

1. Depreciation charged on machinery @ 5% p.a.
2. Further bad debts ₹ 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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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.

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Account Title	Amount	Account Title	Amount
	₹		₹
Purchases	1,50,000	Sales	2,50,000
Opening stock	50,000	Return outwards	4,500
Return inwards	2,000	Interest received	3,500
Carriage inwards	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		
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		

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Telephone charges	100			
Carriage outward	400			

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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 ₹	Particulars	Amount ₹
Opening Stock	50,000	Sales	2,50,000
Purchases	1,50,000	Less: Return Inwards	2,000
Less: Return Outwards	4,500	Closing Stock	32,500
	1,45,500		
Carriage Inwards	4,500		
Wages	2,400		
Add: Outstanding Wages	100		
	2,500		

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Gross Profit	78,000	2. Interest received on investment @ 5%.
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3. Wages and interest outstanding ₹ 100 and ₹ 200 respectively.

4. Depreciation charged on motor car @ 5% p.a.

5. Closing Stock ₹ 32,500.

The solution is given below :

Trading Account

Dr.

Cr.

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	2,80,500		2,80,500

Profit and Loss Account

Dr.

Cr.

Particulars	Amount	Particulars	Amount
	₹		₹
Carriage Outward	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		
	1,200		
Repair	440		
Lighting Charges	500		
Telephone Charges	100		
Depreciation on Motor Car	1,250		

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Net Profit

66,010

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	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		
Machinery	34,500		
Insurance	12,400		
Drawings	10,000		
Motor vehicle	10,500		
Bad debts	2,000		

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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 ₹ 40,000.
2. Salary amounting ₹ 500 and trade expense ₹ 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:

$$\text{Interest on loan} = 3000 \times \frac{15}{100} \times \frac{4}{12} = \text{₹ } 150$$

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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Motor car	51,000		
	5,69,400		5,69,400

Adjustments

1. Closing stock was ₹ 45,000.

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Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock	25,000	Sales	2,76,000
Purchases	1,80,000	Less: Return Inwards	7,000
Less: Return Outwards	2,000	Closing Stock	45,000
	1,78,000		
Wages	10,000		
Freight	4,000		
Gross Profit	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 ₹ 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

$$\begin{aligned} &= \text{Net Profit before commission} \times \frac{10}{110} \\ &= 75,800 \times \frac{10}{110} \\ &= ₹ 6,891 \end{aligned}$$

2. Out of the machinery of ₹ 1, 00,000, ₹ 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.

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

**The rest of the machinery of ₹ 70,000 will bear depreciation at 6% p.a.

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

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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
	₹		₹
Sundry debtors	1,00,000	Bills payable	85,550
Bad debts	3,000	Sundry creditors	25,000
Trade expenses	2,500	Provision for bad debts	1,500
Printing and Stationary	5,000	Return outwards	4,500
Rent, Rates and Taxes	3,450	Capital	2,50,000
Freight	2,250	Discount received	3,500
Sales return	6,000	Interest received	11,260
Motor car	25,000	Sales	1,00,000
Opening stock	75,550		
Furniture and Fixture	15,500		
Purchases	75,000		
Draw ings	13,560		
Investments	65,500		
Cash in hand	36,000		
Cash in bank	53,000		
	4,81,310		4,81,310

Adjustments

1. Closing stock was valued ₹ 35,000.
2. Depreciation charged on furniture and fixture @ 5%.
3. Further bad debts ₹ 1,000. Make a provision for bad debts @ 5% on sundry debtors.
4. Depreciation charged on motor car @ 10%.
5. Interest on drawing @ 6%.
6. Rent, rates and taxes was outstanding ₹ 200.
7. Discount on debtors 2%.

The solution is given below:

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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 ₹
Opening stock	2,26,000	Sales	6,80,000
Purchases	4,40,000	Return outwards	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 inwards	3,400	Capital	3,50,000
Sales return	10,000		
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, 2017 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 ₹ 100 and Wages prepaid was ₹ 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 Amount	Account Title	Credit Amount
	□		□
Sundry debtors	9,600	Sundry creditors	2,500
Opening stock	22,800	Sales	72,670
Purchases	34,800	Purchases returns	2,430
Carriage inwards	450	Bills payable	15,600
Wages	1,770	Capital	42,000
Office rent	820		
Insurance	1,440		

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Factory rent	390		
Cleaning charges	940		
Salary	1,590		
Building	24,000		
Plant and Machinery	3,600		
Cash in hand	2,160		
Gas and Water	240		
Octroi	60		
Furniture	20,540		
Patents	10,000		
	1,35,200		1,35,200

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Liabilities		Amount	Assets		Amount
		₹			₹
Capital	42,000		Sundry Debtors	9,600	
Add: Net Profit	15,890	57,890	Less: New Provision	480	9,120
Sundry Creditors		2,500	Building	24,000	
Bills Payable		15,600		2,400	21,600
			Less: Depreciation		

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- Financial Statements - 2

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			76,940

Account Title	Amount	Account Title	Amount
	□		□
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		

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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.



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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		4,70,500

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

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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 ₹ 50.

(d) Closing stock ₹ 50,000.

The solution is given below :

Trading Account

Dr.

Cr.



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Financial Statements - 2

Add: Wages Outstanding	50	34,050	
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	
Lighting	500	
Misc. Income		6,000
Rent		2,000
Capital		40,000
Drawings	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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- Financial Statements - 2

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.

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- Financial Statements - 2

Liabilities		Amount	Assets		Amount
		₹			₹
Capital	40,000		Debtors		6,000
<i>Add: Interest on Capital</i>	2,000		Cash		3,000
<i>Add: Net Profit</i>	24,985		Investment	6,000	
<i>Less: Draw ings</i>	2,000		<i>Add: Interest on Investment</i>	360	6,360
<i>Less: Interest on Draw ings</i>	140		Patent		4,000
		64,845			
Creditors		7,000	Land and Machinery	43,000	
Sales Tax Collected			<i>Less: Depreciation</i>	2,150	40,850

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- Financial Statements - 2

Unearned Rent	1,000		
	100		
	Furniture	11,300	

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- Financial Statements - 2

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

Debtors	6,000		
Wages	1,200		
	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.

NCERT Solution for Class 11 Accountancy Chapter 10

- Financial Statements - 2

Liabilities		Amount	Assets		Amount
		₹			₹
Capital	50,000		Cash in Hand		4,000
Add: Interest on Capital	2,500		Scooter	8,000	
Add: Net Profit	22,780	75,280	Less: Depreciation	400	7,600
Bank Overdraft		10,000	Furniture	5,200	

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- Financial Statements - 2

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
	1,03,280			1,03,280

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- Financial Statements - 2

Rent and Taxes	2,160	
Wages	11,215	
Returns	2,385	1,440
Carriage outwards	1,485	
Debtors and Creditors	36,000	58,500
General expenses	6,975	
Octroi	530	
Investment	41,400	
	2,73,600	2,73,600

Trading Account

Dr.

Cr.

Closing stock was valued ₹ 20,000.

- (a) Interest on capital @ 10%.
- (b) Interest on drawings @ 5%.
- (c) Wages outstanding ₹ 50.
- (d) Outstanding salary ₹ 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

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- Financial Statements - 2

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

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- 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	Amount □	Particulars	Amount □
Bad Debts	500		
Add: Further Bad Debts	300		

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- Financial Statements - 2

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

Date	Particulars	Amount ₹	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

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- Financial Statements - 2

		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)	

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- 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

NCERT Solution for Class 11 Accountancy Chapter 10

- Financial Statements - 2

Liabilities	Amount □	Assets	Amount □
		Debtors 80,000	
		Less: Further Bad Debts 500	
		Less: New Provision on Debtors 2,385	77,115
			77,115