

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.1 The following are the balances extracted from the books of Raghunath Ji as on 31st March, 2017.  
From these balances, prepare his Trading and Profit & Loss Account and Balance Sheet as at that date:

	Dr. (₹)	Cr. (₹)
Opening Stock	12,000	
Purchases	40,000	
Sales		86,000
Discount		400
Sales Return	6,000	
Buildings	50,000	
Debtors	16,000	
Salaries	2,400	
Office Expenses	1,200	
Wages	10,000	
Purchase Return		4,000
Interest		800
Travelling Expenses	400	
Fire Insurance Premium	800	
Machinery	20,000	
Carriage on Purchases	700	
Commission	400	
Cash in hand	2,300	
Rent and Taxes	1,800	
Capital		62,000

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<b>Creditors</b>		<b>10,800</b>
	<b>1,64,000</b>	<b>1,64,000</b>

**Adjustment: -**

1. Closing Stock was valued at ₹ 16,000.
2. Wages ₹ 2,000 and salaries ₹ 1,200 are outstanding.
3. Rent for two months at the rate of ₹ 500 per month is outstanding.
4. Depreciate Buildings by 5% and machinery by 10%.
5. Prepaid Insurance ₹ 200.

The solution for this question is as follows:

<b>Trading Account of Raghunath Ji</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>	<b>₹</b>		<b>Particulars</b>	<b>₹</b>	
Opening Stock		12,000	Sales	86,000	
Purchases	40,000		Less: Sales Return	6,000	80,000
Less: Purchases Return	4,000	36,000	Closing Stock		16,000
Carriage		700			
Wages	10,000				
Add: Outstanding	2,000	12,000			
Gross Profit ( <i>Balancing Figure</i> )		35,300			
		96,000			96,000

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Profit and Loss Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Depreciation: (WN)			Gross Profit	35,300
Machinery	2,000		Discount	400
Building	2,500	4,500	Interest	800
Salaries	2,400			
<i>Add:</i> Outstanding	1,200	3,600		
Insurance	800			
<i>Less:</i> Prepaid	200	600		
Rent & Taxes	1,800			
<i>Add:</i> Outstanding	1,000	2,800		
Office Expenses		1,200		
Travelling Expenses		400		
Commission		400		
<b>Net Profit (Balancing Figure)</b>		<b>23,000</b>		
		<b>36,500</b>		<b>36,500</b>

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Balance Sheet					
Liabilities		₹	Assets		₹
Capital	62,000		Fixed Assets		
Add: Net Profit	23,000	85,000	Machinery	20,000	
			Less: Depreciation	2,000	18,000
Current Liabilities			Building	50,000	
Creditors		10,800	Less: Depreciation	2,500	47,500
Outstanding Wages		2,000	Current Assets		
Outstanding Salaries		1,200	Closing Stock		16,000
Outstanding Rent		1,000	Prepaid Insurance		200
			Debtors		16,000
			Cash in Hand		2,300
		1,00,000			1,00,000

### Working Note:

Evaluating Depreciation

Depreciation on Building =  $50,000 \times \frac{5}{100} = ₹2,500$

Depreciation on Machinery =  $20,000 \times \frac{10}{100} = ₹2,000$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.2 From the following Trial Balance prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date: -

	Dr. (₹)	Cr. (₹)
Stock 1st April, 2016	22,300	
Purchases and Purchase Return	2,30,000	5,200
Freehold Premises	1,00,000	
Incidental Trade Exp.	11,200	
Insurance	1,850	
Audit Fees	800	
Commission Received		2,700
Interest		1,400
Debtors and Creditors	32,400	24,830
Wages	30,200	
Salaries	15,200	
Capital		1,50,000
Drawings	12,000	
Income-Tax	3,600	
Investments	8,000	
Discount allowed & received	7,500	4,200
Sales Return & Sales	6,400	3,17,400
B/R	5,200	
Office Furniture	9,000	
Rent		2,600
Cash in hand	5,080	

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<b>Bank Balance</b>	<b>7,600</b>	
	<b>5,08,330</b>	<b>5,08,330</b>

**Adjustment: -**

1. Stock at 31st March 2017 is ₹ 70,000.
2. Write of 5% Depreciation on Freehold Premises and 20% on office furniture.
3. Commission earned but not received ₹ 500.
4. Interest earned ₹ 600.
5. ₹ 200 for rent have been received in advance.
6. Charge interest on Capital @ 6% and ₹ 500 on Drawings.

The solution for this question is as follows:

Trading Account					
Dr.					Cr.
Particulars	₹	Particulars	₹	₹	₹
Opening Stock	22,300	Sales	3,17,400		
Purchases	2,30,000	Less: Sales Return	6,400	3,11,000	
Less: Purchases Return	5,200	Closing Stock		70,000	
Wages	30,200				
Gross Profit ( <i>Balancing Figure</i> )	1,03,700				
	3,81,000				3,81,000

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Profit and Loss Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Depreciation: (WN1)			Gross Profit		1,03,700
Freehold Premises	5,000		Interest on Drawings		500
Furniture	1,800	6,800	Commission	2,700	
Interest on Capital (WN2)		9,000	Add: Accrued	500	3,200
Incidental Trade Expenses		11,200	Rent	2,600	
Insurance		1,850	Less: Rent received in advance	200	2,400
Audit Fees		800	Interest	1,400	
Salaries		15,200	Add: Accrued	600	2,000
Discount Allowed		7,500	Discount Received		4,200
Net Profit (Balancing Figure)		63,650			
		1,16,000			1,16,000

Balance Sheet						
Liabilities			₹	Assets		₹
Capital	1,50,000			Fixed Assets		
Add: Interest on Capital	9,000			Freehold Premises	1,00,000	
Add: Net Profit	63,650			Less: Depreciation	5,000	95,000
Less: Drawings	12,000			Office Furniture	9,000	
Less: Interest on Drawings	500			Less: Depreciation	1,800	7,200

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Less: Income Tax	3,600	2,06,550	Investments	8,000
<b>Current Liabilities</b>			<b>Current Assets</b>	
Creditors		24,830	Closing Stock	70,000
Rent received in advance		200	Accrued Interest	600
			Accrued Commission	500
			Debtors	32,400
			Bills Receivable	5,200
			Cash at Bank	7,600
			Cash in Hand	5,080
		2,31,580		2,31,580

### Working Notes 1:

Evaluation of Depreciation

Depreciation on Freehold Premises =  $1,00,000 \times \frac{5}{100} = 5,000$

Depreciation on Office Furniture =  $9,000 \times \frac{2}{100} = 1,800$

Depreciation on Freehold Premises =  $1,00,000 \times \frac{5}{100} = 5,000$

Depreciation on Office Furniture =  $9,000 \times \frac{20}{100} = 1,800$

### Working Notes 2:

Evaluating Interest on Capital

Interest on Capital =  $1,50,000 \times \frac{6}{100} = 9,000$



## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.3 On 31st March, 2017 the following Trial Balance was extracted from the books of Mohan:-

	Dr. (₹)	Cr. (₹)
Capital		30,000
Drawings	5,000	
Debtors and Creditors	20,000	10,000
Bank Loan		9,500
Interest on Loan	300	
Cash	2,000	
Provision for Bad-Debts		700
Stock 1-4-2016	6,800	
Motor Vehicles	10,000	
Bank	3,500	
Land and Buildings	12,000	
Bad-Debts	500	
Purchases and Sales	66,000	1,10,000
Returns	8,000	1,500
Carriage Outward	2,500	
Carriage Inward	3,000	
Salaries	9,000	
Rent and Insurance	3,000	
Advertising	3,500	
Discount		500
General Expenses	3,400	

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B/R and B/P	6,000	2,000
Rent received		300
	1,64,500	1,64,500

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date after taking into account the following: -

- (a) Private purchases amounting to ₹ 4,000 have been debited to Purchases Account.
- (b) Depreciate Land and Buildings at 212% and Motor Vehicles at 20%.
- (c) Salaries outstanding ₹ 200.
- (d) Prepaid Insurance ₹ 200.
- (e) Provision for Doubtful Debts is to be maintained at 5% on Debtors.
- (f) Stock on 31st March, 2017 was valued at ₹ 7,000.

The solution for this question is as follows:

Trading Account					
Dr.		₹	Cr.		₹
Opening Stock		6,800	Sales	1,10,000	
Purchases	66,000		Less: Return Inwards	8,000	1,02,000
Less: Return Outwards	1,500		Closing Stock		7,000
Less: Drawings	4,000	60,500			
Carriage Inward		3,000			
Gross Profit ( <i>Balancing Figure</i> )		38,700			
		1,09,000			1,09,000

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Profit and Loss Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Depreciation: (WN1)			Gross Profit	38,700
Land & Building	300		Discount received	500
Motor Vehicle	2,000	2,300	Rent received	300
Salary	9,000			
Add: Outstanding	200	9,200		
Rent & Insurance	3,000			
Less: Pre-paid	200	2,800		
Old Bad Debts	500			
Add: New Bad Debts	—			
Add: New Provision (WN2)	1,000			
Less: Old Provision	700	800		
Interest on Bank Loan		300		
Carriage Outward		2,500		
Advertisement		3,500		
General Expenses		3,400		
Net Profit ( <i>Balancing Figure</i> )		14,700		
		39,500		39,500

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<b>Balance Sheet</b>					
<b>Liabilities</b>		₹	<b>Assets</b>		₹
Capital	30,000		Fixed Assets		
<i>Add:</i> Net Profit	14,700		Land & Buildings	12,000	
<i>Less:</i> Drawings (5,000 + 4,000)	9,000	35,700	<i>Less:</i> Depreciation	300	11,700
			Motor Vehicles	10,000	
Current Liabilities			<i>Less:</i> Depreciation	2,000	8,000
Creditors		10,000	Current Assets		
Outstanding Salaries		200	Closing Stock		7,000
Bank Loan		9,500	Prepaid Insurance		200
Bills Payable		2,000	Debtors	20,000	
			<i>Less:</i> Provision for Bad Debts	1,000	19,000
			Bills Receivables		6,000
			Cash at Bank		3,500
			Cash in Hand		2,000
		57,400			57,400

### Working Notes 1: Evaluation of Depreciation

Depreciation on land and buildings =  $12,000 \times \frac{2.5}{100} = 300$

Depreciation of motor vehicles =  $12,000 \times \frac{20}{100} = 2,000$

### Working Notes 2: Evaluating Provision for Doubtful Debts

Provision for doubtful Debts =  $20,000 \times \frac{5}{100} = 1,000$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

**Q4 Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date from the following Trial Balance: -**

	Dr. (₹)	Cr. (₹)
Capital		10,000
Cash	1,500	
Bank Overdraft		2,000
Purchases and Sales	12,000	15,000
Returns	1,000	2,000
Establishment Expenses	2,200	
Taxes and Insurance	500	
Bad-debts and Bad-debt Provision	500	700
Debtors and Creditors	5,000	2,000
Commission		500
Deposits	4,000	
Opening Stock	3,000	
Drawings	1,400	
Furniture	600	
B/R and B/P	3,000	2,500
	<b>34,700</b>	<b>34,700</b>

**Adjustments: -**

1. Salaries ₹ 100 and taxes ₹ 200 are outstanding but insurance ₹ 50 is prepaid.
2. Commission ₹ 100 is received in advance for next year.
3. Interest ₹ 210 is to be received on Deposits and Interest on Bank overdraft ₹ 300 is to be paid.
4. Bad-debts provision is to be maintained at ₹ 1,000 on Debtors.
5. Depreciate furniture by 10%.
6. Stock on 31st March, 2017 was valued at ₹ 4,500.



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Add: New Provision	1,000			
Less: Old Provision	700	800		
Outstanding Interest on Bank Overdraft		300		
Net Profit ( <i>Balancing Figure</i> )		2,000		
		6,110		6,110

### Balance Sheet as on March 31, 2017

Liabilities		₹	Assets		₹
Capital	10,000		Fixed Assets		
Add: Net Profit	2,000		Furniture	600	
Less: Drawings	1,400	10,600	Less: Depreciation	60	540
<b>Current Liabilities</b>					
Creditors		2,000	<b>Current Assets</b>		
Outstanding Salaries		100	Closing Stock		4,500
Outstanding Taxes		200	Prepaid Insurance		50
Bills Payable		2,500	Debtors	5,000	
Bank Overdraft		2,000	Less: Provision for Bad Debts	1,000	4,000
Commission received in advance		100	Bills Receivables		3,000
Outstanding Interest on Bank Overdraft		300	Deposits	4,000	
			Add: Accrued Interest	210	4,210
			Cash in Hand		1,500
		17,800			17,800

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

**Working Note:** Evaluating Depreciation

Depreciation on Furniture =  $600 \times 10/100 = 60$

**Q.5** The following are the balances of Messrs Gupta & Co. as at 31st March, 2009: -

Particulars	(₹)	Particulars	(₹)
Cash in Hand	540	Patents	7,500
Cash at Bank	2,630	Salaries	25,000
Purchases	40,675	General Expenses	22,790
Returns Inwards	680	Insurance	600
Wages	8,480	Drawings	5,245
Fuel & Power	4,730	Sundry Debtors	14,500
Bad-debts	210	Sales	98,440
Bad-debts Provision	340	Returns Outwards	500
Carriage on Sales	3,200	Capital	92,000
Carriage on Purchases	2,040	S. Creditors	6,300
Stock (1.4.2008)	5,760	Rent Cr.	9,000
Building	32,000		
Freehold Land	10,000		
Machinery	20,000		

Prepare Trading and Profit & Loss A/c and a Balance Sheet as at 31st March, 2009 after taking into account the following adjustments: -

- (i) Stock on hand as on 31st March, 2009 is ₹ 6,800.
- (ii) Machinery is to be depreciated at 10% and Patents at 20%.
- (iii) Salaries for the month of March, 2009 ₹ing to ₹ 1,500 were unpaid.
- (iv) Insurance includes a premium of ₹ 170 on a policy expiring on 30th September, 2009.
- (v) Write off ₹ 500 as Bad-debts and create a provision for Doubtful Debts at 5% on Sundry Debtors.
- (vi) Rent Receivable ₹ 1,000.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The solution for this question is as follows:

Trading Account of Messrs Gupta & Co.					
Dr.				Cr.	
Particulars		₹	Particulars		₹
Opening Stock		5,760	Sales	98,440	
Purchases	40,675		Less: Return Inwards	680	97,760
Less: Return Outwards	500	40,175	Closing Stock		6,800
Carriage on Purchases		2,040			
Wages		8,480			
Fuel & Power		4,730			
Gross Profit ( <i>Balancing Figure</i> )		43,375			
		1,04,560			1,04,560
Profit and Loss Account					
Dr.				Cr.	
Particulars		₹	Particulars		₹
Depreciation: ( <i>WN1</i> )			Gross Profit		43,375
Machinery	2,000		Rent received	9,000	
Patents	1,500	3,500	Add: Accrued	1,000	10,000
Salaries	25,000		Net Loss ( <i>Balancing Figure</i> )		4,200
Add: Outstanding	1,500	26,500			
Insurance	600				

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Less: Prepaid (WN2)	85	515		
Old Bad Debts	210			
Add: Further Bad Debts	500			
Add: New Provision (WN3)	700			
Less: Old Provision	340	1,070		
Carriage on Sales		3,200		
General Expenses		22,790		
		57,575		57,575

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	92,000		Fixed Assets		
Less: Net Loss	4,200		Machinery	20,000	
Less: Drawings	5,245	82,555	Less: Depreciation	2,000	18,000
			Patents	7,500	
Current Liabilities			Less: Depreciation	1,500	6,000
Creditors	6,300		Building		32,000
Outstanding Salaries	1,500		Freehold Land		10,000
			Current Assets		
			Closing Stock		6,800
			Prepaid Insurance		85

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		Sundry Debtors	14,500	
		Less: Further Bad Debts	500	
		Less: New Provision for Bad Debts	700	13,300
		Accrued Rent		1,000
		Cash at Bank		2,630
		Cash in Hand		540
	90,355			90,355

### Working Notes 1: Evaluation of Depreciation

Depreciation on Machinery =  $20,000 \times \frac{10}{100} = 2,000$

Depreciation on Patents =  $7,500 \times \frac{20}{100} = 1,500$

Depreciation on Machinery =  $20,000 \times \frac{10}{100} = 2,000$

Depreciation on Patents =  $7,500 \times \frac{20}{100} = 1,500$

### Working Notes 2: Calculation of Prepaid Insurance

If a policy is expiring on 30 September 2009, it means insurance is pre-paid for the period 31 March 2009 – 30 September 2009 = 6 months

Prepaid Insurance =  $170 \times \frac{6}{12} = 85$

### Working Notes 3: Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

$(14,500 - 500) \times \frac{5}{100} = 700$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.6 From the following Trial Balance extracted from the books of A, prepare Trading and Profit & Loss Account for the year ending 31st March, 2008 and a Balance Sheet as at that date:-

	Dr. (₹)	Cr. (₹)
Furniture	640	
Loose Tools	6,250	
Buildings	7,500	
Capital Account		12,500
Bad-debts	125	
Provision for Bad-debts		200
Sundry Debtors and Creditors	3,800	2,500
Stock on 1st April, 2007	3,460	
Purchases and Sales	5,475	15,450
Bank Overdraft		2,850
Sales Return and Purchases Return	200	125
Stationery	450	
Interest Account	118	
Commission		375
Cash in hand	650	
Taxes and Insurance	1,250	
General Expenses	782	
Salaries	3,300	
	<b>34,000</b>	<b>34,000</b>

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The following adjustments are to be made:

(i) Stock in hand on 31st March, 2008 was ₹ 3,250.

(ii) Depreciate Building at 5% and Furniture at 10%. Loss Tools are revalued at ₹ 5,000 at the end of the year.

(iii) Salaries ₹ 300 and taxes ₹ 120 are outstanding.

(iv) Insurance amounting to ₹ 100 is prepaid.

(v) Write off a further ₹ 100 as Bad-Debts and Provision for Doubtful Debts is to be made equal to 5% on Sundry Debtors.

(vi) Half of the stationery was used by the proprietor for his personal purposes.

The solution for this question is as follows:

Trading Account for the year ended March 31, 2008			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	3,460	Sales	15,450
Purchases	5,475	Less: Sales Return	200
Less: Purchases Return	125	Closing Stock	3,250
Gross Profit ( <i>Balancing Figure</i> )	9,690		
	18,500		18,500
Profit and Loss Account			
Dr.			Cr.
Particulars	₹	Particulars	₹
Depreciation: ( <i>WN1</i> )		Gross Profit	9,690
Building	375	Commission Received	375
Furniture	64		

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Loose Tools	1,250	1,689		
Salaries	3,300			
<i>Add:</i> Outstanding	300	3,600		
Taxes & Insurance	1,250			
<i>Add:</i> Outstanding Taxes	120			
<i>Less:</i> Prepaid Insurance	100	1,270		
Old Bad Debts	125			
<i>Add:</i> Further Bad Debts	100			
<i>Add:</i> New Provision (WN2)	185			
<i>Less:</i> Old Provision	200	210		
Stationery	450			
<i>Less:</i> Drawings (1/2)	225	225		
Interest		118		
General Expenses		782		
Net Profit ( <i>Balancing Figure</i> )		2,171		
		10,065		10,065

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	12,500		Fixed Assets		
<i>Add:</i> Net Profit	2,171		Building	7,500	
<i>Less:</i> Drawings (1/2 of Stationery)	225	14,446	<i>Less:</i> Depreciation	375	7,125
			Furniture	640	

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Current Liabilities		Less: Depreciation	64	576
Creditors	2,500	Loose tools	6,250	
Outstanding Salaries	300	Less: Depreciation	1,250	5,000
Outstanding Taxes	120			
Bank Overdraft	2,850	Current Assets		
		Closing Stock		3,250
		Prepaid Insurance		100
		Debtors	3,800	
		Less: Further Bad Debts	100	
		Less: Provision for Bad Debts	185	3,515
		Cash in Hand		650
	20,216			20,216

### Working Notes 1:

Evaluation of Depreciation

Depreciation on Buildings =  $7,500 \times \frac{5}{100} = 375$

Depreciation on Furniture =  $640 \times \frac{10}{100} = 64$

Depreciation on Patents =  $6,250 - 5,000 = 1,250$

### Working Note 2: Evaluating Provision for Doubtful Debts

Provision for Doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

$(3,800 - 100) \times \frac{5}{100} = 185$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.7 From the following figures prepare the Trading and Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as at that date: -

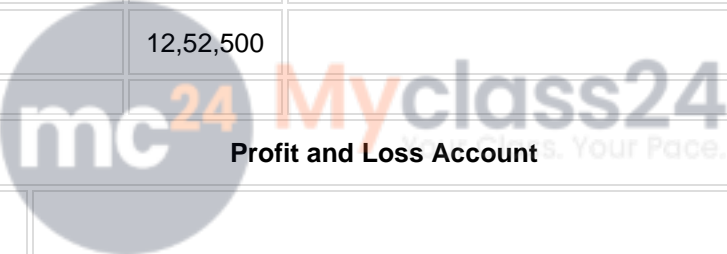
Particulars	(₹)	Particulars	(₹)
Stock (1st April, 2011)	75,000	Sundry Debtors	82,000
Purchases	8,00,000	Loan from X	10,000
Sales	12,00,000	Interest on X Loan	1,500
Motor Car	1,50,000	Furniture	20,000
Car Expenses	42,000	Land and Building	2,00,000
Rent	5,500	Capital	2,50,000
Salaries	35,200	Sundry Creditors	91,300
Bad Debts	1,500	Returns Inward	7,500
Provision for bad debts	8,100	Returns Outward	6,000
Commission (Cr.)	4,600	Cash in hand	16,400
Wages	1,25,000		
Insurance	8,400		

Adjustments: -

- (i) Commission include ₹ 1,600 being commission received in advance.
- (ii) Write off ₹ 2,000 as further Bad-debts and maintain Bad-debts provision at 5% on debtors.
- (iii) Expenses paid in advance are: Wages ₹ 5,000 and Insurance ₹ 1,200.
- (iv) Rent and Salaries have been paid for 11 months.
- (v) Loan from X has been taken at 18% p.a. interest.
- (vi) Depreciate furniture by 15% p.a. and Motor Car by 20% p.a.
- (vii) Closing Stock was valued at ₹ 60,000.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The solution for this question is as follows:

Dr.				Cr.	
Particulars		₹	Particulars		₹
Opening Stock		75,000	Sales	12,00,000	
Purchases	8,00,000		Less: Return Inwards	7,500	11,92,500
Less: Return Outwards	6,000	7,94,000	Closing Stock		60,000
Wages	1,25,000				
Less: Prepaid	5,000	1,20,000			
Gross Profit ( <i>Balancing Figure</i> )		2,63,500			
		12,52,500			12,52,500
 <b>Profit and Loss Account</b>					
Dr.				Cr.	
Particulars		₹	Particulars		₹
Depreciation: ( <i>WN1</i> )			Gross Profit		2,63,500
Furniture	3,000		Commission	4,600	
Motor Car	30,000	33,000	Less: Comm. received in advance	1,600	3,000
Salaries	35,200		Old Provision for Doubtful Debts	8,100	
Add: Outstanding ( <i>WN2</i> )	3,200	38,400	Less: New Provision ( <i>WN3</i> )	4,000	4,100
Rent	5,500				
Add: Outstanding Taxes ( <i>WN2</i> )	500	6,000			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Insurance	8,400			
Less: Prepaid	1,200	7,200		
Interest on Loan	1,500			
Add: Outstanding (WN2)	300	1,800		
Old Bad Debts	1,500			
Add: Further Bad Debts	2,000	3,500		
Car Expenses		42,000		
Net Profit ( <i>Balancing Figure</i> )		1,38,700		
		2,70,600		2,70,600

### Balance Sheet

Liabilities	₹		Assets	₹
Capital	2,50,000		Fixed Assets	
Add: Net Profit	1,38,700	3,88,700	Land & Building	2,00,000
Loan from X	10,000		Furniture	20,000
Add: Outstanding Interest on Loan	300	10,300	Less: Depreciation	3,000
			Motor Car	1,50,000
Current Liabilities			Less: Depreciation	30,000
Creditors		91,300		1,20,000
Outstanding Salaries		3,200	Current Assets	
Outstanding Rent		500	Closing Stock	60,000
Commission received in advance		1,600	Prepaid Insurance	1,200
			Prepaid Wages	5,000

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

		Debtors	82,000	
		Less: Further Bad Debts	2,000	
		Less: Provision for Bad Debts	4,000	76,000
		Cash in Hand		16,400
	4,95,600			4,95,600

### Working Notes 1: Evaluation of Depreciation

Depreciation on Furniture =  $20,000 \times \frac{15}{100} = 3,000$

Depreciation on Motor Car =  $1,50,000 \times \frac{20}{100} = 30,000$

### Working Notes 2: Evaluation of Outstanding Expenses

1. Salaries for 11 months = 35,200

Salary for 1 month =  $35,200 / 11 \times 1 = 3,200$  = Salary Outstanding

2. Rent for 11 months = 5,500

Rent for 1 month =  $5,500 / 11 \times 1 = 500$  = Rent Outstanding

3. Interest on Loan =  $10,000 \times \frac{18}{100} = 1,800$

Interest paid = 1,500

Interest Outstanding =  $1,800 - 1,500$

= 300

### Working Notes 3: Calculation of Provision for Doubtful Debts

Provision for Doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

=  $(82,000 - 2,000) \times \frac{5}{100} = 4,000$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.8 Extract of a Trial Balance as at March 31, 2017 is as follows:

<b>Sundry Debtors</b>	<b>₹ 1,02,000</b>
<b>Bad Debts</b>	<b>₹ 1,400</b>
<b>Provision for doubtful debts</b>	<b>₹ 3,400</b>

**Additional information:**

A debtor of ₹ 2,000 could not be recovered. It is decided to maintain Provision for Doubtful Debtors @ 5% on Debtors and Provision for Discount at @ 2%.

How these adjustments will be shown in Financial Statements?

The solution for this question is as follows:

<b>Profit and Loss Account</b>				
Dr.				Cr.
Particulars	₹	₹	Particulars	₹
Old Bad Debts	1,400			
<i>Add:</i> Further Bad Debts	2,000			
<i>Add:</i> New Provision	5,000			
<i>Less:</i> Old Provision	3,400	5,000		
Provision for Discount on Debtors		1,900		
<b>Balance Sheet</b>				
Liabilities	₹	Assets		
		Current Assets		
		Debtors	1,02,000	
		<i>Less:</i> Further Bad Debts	2,000	

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

		Less: Provision for Doubtful Debts	5,000	
		Less: Provision for Discount on Debtors	1,900	93,100

### Working Notes 1: Evaluation of Provision for Doubtful Debts

Provision for doubtful debts = (Debtors-Further Bad Debts) X Rate/100

$$= (1,02,000 - 2,000) \times 5/100 = 5,000$$

### Working Notes 2: Evaluation of Provision for Discount on Debtors

Provision for discount on debtors = (Debtors – Further bad debts – Provision for doubtful debts) X Rate/100

$$= (1,02,000 - 2,000 - 5,000) \times 2/100 = 1,900$$

**Q.9 Prepare a Trading and Profit & Loss account for the year ending March 31, 2018, from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet as at that date.**

Debit Balances	₹	Credit Balances	₹
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchase return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for bad debts	2,500
Sales Return	3,000	Capital	2,90,000
S. Debtors	82,000	Bills Payable	22,000
Discount allowed	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	Output CGST	15,000
Trade Expenses	1,500	Output SGST	15,000
Bad debts	2,000		
Drawings	32,000		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	500		
Legal fees	500		
Bills Receivable	50,000		
Building	1,10,000		
Input CGST	10,000		
Input SGST	10,000		
	5,71,800		5,71,800

Adjustments: -

(i) Commission received in advance ₹ 1,000.

(ii) Rent receivable ₹ 2,000, subject to levy of CGST and SGST @ 9% each.

(iii) Salary outstanding ₹ 1,000 and insurance prepaid ₹ 800.

(iv) Further Bad-debts ₹ 1,000 and provision for Bad-debts @ 5% on debtors and provision for discount on debtors @ 2%.

(v) Closing Stock ₹ 32,000.

(vi) Depreciation on Building @ 6% p.a.

The solution for this question is as follows:

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Financial Statement of M/s Rahul Sons				
Trading Account for the year ended March 31, 2018				
Dr.				Cr.
Particulars	₹		Particulars	₹
Opening Stock	50,000		Sales	1,80,000
Purchases	1,75,000		Less: Sales Return	3,000
Less: Purchases Return	2,000	1,73,000	Closing Stock	32,000
Wages	3,000		Gross Loss ( <i>Balancing Figure</i> )	17,000
	<b>2,26,000</b>			<b>2,36,000</b>

Profit and Loss Account				
Dr.				Cr.
Particulars	₹		Particulars	₹
Gross Loss	17,000		Commission	4,000
Depreciation on Building ( <i>WN1</i> )	6,600		Less: Unearned	1,000
Salaries	8,000		Rent received	6,000
<i>Add:</i> Outstanding	1,000	9,000	<i>Add:</i> Accrued	2,000
Insurance	3,200		Discount Received	500
Less: Prepaid	800	2,400	Net Loss ( <i>Balancing Figure</i> )	43,189
Old Bad Debts	2,000			
<i>Add:</i> New Bad Debts	1,000			
<i>Add:</i> New Provision ( <i>WN2</i> )	4,050			
Less: Old Provision	2,500	4,550		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Provision for Discount on Debtors	1,539		
Discount Allowed	1,000		
Rent, Rates and Taxes	4,300		
Trade Expenses	1,500		
Repairs & Renewable	1,600		
Travelling Expenses	4,200		
Postage	300		
Telegram Expenses	200		
Legal Fees	500		
	<b>54,689</b>		<b>54,689</b>

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	2,90,000		<b>Fixed Assets</b>		
Less: Net Loss	43,189		Building	1,10,000	
Less: Drawings	32,000	2,14,811	Less: Depreciation	6,600	1,03,400
Loan	34,800		Fixture and Fittings		20,000
<b>Current Liabilities</b>			<b>Current Assets</b>		
Bills Payable	22,000		Closing Stock		32,000
Outstanding Salaries	1,000		Prepaid Insurance		800
Commission received in advance	1,000		Bills Receivable		50,000
Output CGST 15,180			Debtors	82,000	
(15,000+180*)	5,180		Less: Bad Debts	1,000	
Less: Input CGST 10,000			Less: Provision for Bad Debts	4,050	

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Output CGST 15,180 (15,000+180*)		Less: Provision for Discount on Debtors	1,539	75,41
Less: Input CGST 10,000	5,180	Accrued Rent*		2,360
	<b>2,83,971</b>			<b>2,83,971</b>

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Building =  $1,10,000 \times \frac{6}{100} = 6,600$

**Working Notes 2:** Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts =  $(\text{Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

$(82,000 - 1,000) \times \frac{5}{100} = 4,050$

**Working Notes 3:** Evaluation of Provision for Discount on Debtors

Provision for Doubtful Debts =  $(\text{Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

$(82,000 - 1,000 - 4,050) \times \frac{2}{100} = 1,539$

**Working Notes 4:** Adjustment entry for Accrued Rent

Journal					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2018					
March 31	Accrued Rent A/c	Dr.	2,360		
	To Rent A/c				2,000
	To Output CGST A/c				180
	To Output SGST A/c				180
	(Rent receivable plus @ 9% SGST & CGST for the period)				

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.10 From the following balances, prepare Final Accounts of Mr. Bal Gopal: -

Particulars	₹	Particulars	₹
Life Insurance Premium (self)	500	Capital	40,000
Stock (1-4-2017)	7,500	Plant and Machinery	12,500
Returns Inward	1,000	Purchases	36,000
Furniture	4,600	Sundry Debtors	10,500
Freehold Property	10,000	Coal, Gas and Water	1,000
Carriage Inwards	400	Carriage outwards	100
Advertising	200	Sales	60,000
Sundry Creditors	4,850	Discount (Dr.)	400
Returns outwards	500	Rent for Premises Sublet	500
Commission (Cr.)	600	Trade Expenses	8,650
Lighting	250	Stationery	2,000
Loan from bank	5,000	Interest Charged by Bank	450
Wages & Salaries	7,500	Cash	2,900
		Input IGST	5,000

Adjustments: -

(i) Stock on 31st March, 2018 was ₹ 10,000 and stationery unused at the end was ₹ 400.

(ii) Rent of Premises Sublet received in advance ₹ 100.

(iii) Provision for Doubtful Debts is to be created @ 10% on Debtors.

(iv) Provision for discount on Debtors is to be created @ 2%.

(v) Stock of the Value of ₹ 4,000 was destroyed by fire on 25th March, 2018. Stock was purchased paying IGST @ 12%. A Claim of ₹ 3,000 has been admitted by Insurance Co.

(vi) Bank Loan has been taken at 12% p.a. Interest.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The solution for this question is as follows:

Trading Account					
Dr.				Cr.	
Particulars	₹		Particulars	₹	
Opening Stock		7,500	Sales	60,000	
Purchases	36,000		Less: Return Inwards	1,000	59,000
Less: Return Outwards	500		Closing Stock		10,000
Less: Goods Destroyed by Fire	4,000	31,500			
Carriage Inward		400			
Wages & Salaries		7,500			
Coal, Gas and Water		1,000			
Gross Profit ( <i>Balancing Figure</i> )		21,100			
		69,000			69,000
Profit and Loss Account					
Dr.				Cr.	
Particulars	₹		Particulars	₹	
Discount Allowed		400	Gross Profit		21,100
Stationery	2,000		Rent for premises	500	
Less: Closing Stock	400	1,600	Less: Rent received in advance	100	400
Interest	450		Commission received		600
Add: Outstanding Interest (WN1)	150	600			
Provision for Doubtful Debts (WN2)		1,050			
Provision for Discount on Debtors (WN3)		189			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Loss by Fire* (WN4)	4,480			
Less: Ins. Claim admitted	3,000	1,480		
Advertisement		200		
Trade Expenses		8,650		
Carriage Outwards		100		
Lighting		250		
Net Profit (Balancing Figure)		7,581		
		22,100		22,100

Balance Sheet				
Liabilities	₹		Assets	₹
Capital	40,000		Fixed Assets	
Add: Net Profit	7,581		Furniture	4,600
Less: Drawings (LIC)	500	47,081	Freehold Property	10,000
			Plant and Machinery	12,500
Current Liabilities			Current Assets	
Creditors	4,850		Closing Stock	10,000
Bank Loan	5,000		Insurance Company	3,000
Rent received in advance	100		Stock of Stationery	400
Outstanding Interest on Bank			Input IGST (5,000-480*)	4,520
Loan	150		Debtors	10,500
			Less: Provision for Bad Debts	1,050

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

		Less: Provision for Discount	189	9,261
		Cash in Hand		2,900
	57,181			57,181

**Working Notes 1:** Evaluation of outstanding interest on bank loan

Interest on Bank Loan =  $5,000 \times 12/100 = 600$

Interest charged by Bank = 450

Outstanding Interest =  $600 - 450$

= ₹150

**Working Note 2:** Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts = Sundry Debtors  $\times$  Rate/100

$10,500 \times 10/100 = ₹1,050$

**Working Note 3:** Evaluation of Provision for Discount on Debtors

Provision for a discount on debtors =  $(\text{Sundry Debtors} - \text{Provision for Bad Debts}) \times \text{Rate}/100$

$(10,500 - 1,050) \times 2/100 = ₹189$

**Working Note 4:** Adjustment Entry for goods destroyed by fire

Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
2018				
March 25	Loss by fire A/c	Dr.	4,480	
	To Purchases A/c			4,000
	To Input IGST A/c			480
	(Goods lost in fire and effect of 12% IGST reversed)			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Question 11(A) From the following balances, prepare Trading, Profit and Loss A/c and a Balance Sheet as at 31st March 2018: -

Particulars	₹	Particulars	₹
Stock (1st April 2017)	20,000	Goodwill	16,000
Purchases	2,92,000	Furniture and Fittings	58,000
Fuel and Power	34,000	Repair Charges	2,900
Capital	1,60,000	Bank	18,000
Sales	5,90,000	Salaries	1,10,000
Rent	10,000	General Expenses	18,000
Returns Inwards	16,000	Debtors	2,30,000
Cash Discount allowed	15,000	Creditors	1,35,000
Cash Discount received	19,000	Output CGST	5,000
Drawings	58,100	Output SGST	5,000
		Input CGST	8,000
		Input SGST	8,000

Take the following adjustments into account:

- (a) General expenses include ₹ 5,000 chargeable to Furniture purchased on 1st October 2017.
  - (b) Create a provision of 5% on debtors for Bad and Doubtful Debts after treating ₹ 30,000 as a Bad-debt.
  - (c) Depreciation on furniture and fittings for the year is to be at the rate of 10% per annum.
  - (d) Closing Stock was ₹ 40,000, but there was a loss by fire on 20th March to the extent of ₹ 8,000. Insurance Company admitted the claim in full.
  - (e) (I) Goods costing ₹ 2,500 were used by the proprietor.  
(II) Goods costing ₹ 1,500 were distributed as free samples.
- Goods were purchased paying CGST and SGST @ 6% each.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The solution for this question is as follows:

Trading Account					
Dr.				Cr.	
Particulars		₹	Particulars		₹
Opening Stock		20,000	Sales	5,90,000	
Purchases	2,92,000		Less: Return Inwards	16,000	5,74,000
Less: Goods Destroyed by Fire	8,000		Closing Stock		40,000
Less: Drawings	2,500				
Less: Advertisement	1,500	2,80,000			
Fuel and Power		34,000			
Gross Profit ( <i>Balancing Figure</i> )		2,80,000			
		6,14,000			6,14,000
<b>Profit and Loss Account</b>					
Dr.				Cr.	
Particulars		₹	Particulars		₹
Depreciation on Furniture ( <i>WN1</i> )		6,050	Gross Profit		2,80,000
General Expenses	18,000		Discount Received	19,000	
Less: Furniture	5,000	13,000			
Rent		10,000			
Further Bad Debts	30,000				
Add: New Provision ( <i>WN3</i> )	10,000	40,000			
Discount Allowed		15,000			
Repair Charges		2,900			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Advertisement (Free Samples)	1,680		
Salaries	1,10,000		
Net Profit ( <i>Balancing Figure</i> )	1,00,370		
	2,99,000		2,99,000

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	1,60,000		Fixed Assets		
<i>Add</i> : Net Profit	1,00,370		Furniture & Fittings	58,000	
<i>Less</i> : Drawings (58,100 +2,800*)	60,900	1,99,470	<i>Add</i> : Additions	5,000	
			<i>Less</i> : Depreciation	6,050	56,950
			Goodwill		16,000
Current Liabilities			Current Assets		
Creditors		1,35,000	Closing Stock		40,000
			Insurance company (8,000+12% GST)		8,960
			Input CGST (8,000-240-480) 7,280		
			<i>Less</i> : Output CGST 5,000		2,280
			Input CGST (8,000-240-480) 7,280		
			<i>Less</i> : Output CGST 5,000		2,280
			Cash at Bank		18,000
			Debtors	2,30,000	
			<i>Less</i> : Bad Debts	30,000	

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

		Less: Provision for Bad Debts	10,000	1,90,000
	3,34,470			3,34,470

### Working Notes 1:

Evaluation of Depreciation

Furniture of Rs 5,000 was purchased on Oct 01, 2013

Depreciation on furniture =  $58,000 \times \frac{10}{100} + 5,000 \times \frac{10}{100} \times \frac{6}{100}$

= 5,800 + 250

= ₹6,050

### Working Notes 2

Evaluation of Outstanding Rent

Outstanding Rent =  $10,000 \times \frac{2}{100} = ₹2,000$

### Working Notes 3:

Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

=  $(2,30,000 - 30,000) \times \frac{5}{100} = ₹10,000$

**Question 11 (B) From the following particulars taken out from the books of Subhash General Store, prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at the date: -**

Particulars	₹	Particulars	₹
Plant & Machinery on 1-4-2016	80,000	Rent	12,000
Plant & Machinery Purchased on 1-7-2016	20,000	Insurance Premium paid from 1-1-2017 to 31-12-2017	1,200
Sundry Debtors	1,20,000	Cash at Bank	5,400
Creditors	32,000	Wages	20,400
Furniture	5,000	Advertising	4,800
Motor Car	70,000	Carriage Inwards	10,200

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Purchases	1,60,000	Carriage Outwards	2,000
Sales	2,80,000	Fuel and Power	15,700
Sales Returns	15,000	Manoj's Capital	3,50,000
Salaries	36,000	Manoj's Drawings	12,000
Opening Stock	60,000	Brokerage	700
Motor Car Expenses	6,000	Donation	5,100
Stationery	500		

The following information is relevant: -

1. Closing Stock ₹ 55,000. Stock valued at ₹ 10,000 was destroyed by fire on 18th March, 2017 but the Insurance Company admitted a claim of ₹ 6,800 only which was received in April, 2017.
2. Stationery for ₹ 150 was consumed by the Proprietor.
3. Goods costing ₹ 1,200 were given away as charity.
4. A new Signboard costing ₹ 1,500 is included in Advertising.
5. Rent is to be allocated 2/3rd to Factory and 1/3rd to Office.
6. Depreciate machinery by 10% and Motor Car by 20%.

The solution for this question is as follows:

Trading Account of Subhash General Store					
Dr.					Cr.
Particulars		₹	Particulars		₹
Opening Stock		60,000	Sales	2,80,000	
Purchases	1,60,000		Less: Sales Return	15,000	2,65,000
Less: Goods Destroyed by Fire	10,000		Closing Stock		55,000
Less: Charity	1,200	1,48,800			
Carriage Inwards		10,200			
Rent (2/3rd)		8,000			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Wages	20,400		
Fuel & Power	15,700		
Gross Profit ( <i>Balancing Figure</i> )	56,900		
	<b>3,20,000</b>		<b>3,20,000</b>

### Profit and Loss Account

Dr.			Cr.
Particulars		₹	Particulars
			₹
Charity		1,200	Gross Profit
Stationery	500		Net Loss ( <i>Balancing Figure</i> )
Less: Drawings	150	350	
Advertisement	4,800		
Less: Sign Board	1,500	3,300	
Depreciation: ( <i>WN1</i> )			
Machinery	9,500		
Motor Car	14,000	23,500	
Salaries		36,000	
Loss by Fire	10,000		
Less: Ins. Claim admitted	6,800	3,200	
Rent (1/3rd)		4,000	
Insurance	1,200		
Less: Prepaid ( <i>WN2</i> )	900	300	
Motor Car Expenses		6,000	
Brokerage		700	

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Carriage Outwards	2,000		
Donation	5,100		
	<b>85,650</b>		<b>85,650</b>

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	3,50,000		<b>Fixed Assets</b>		
Less: Net Loss	28,750		Furniture		5,000
Less: Drawings (12,000 + 150)	12,150	3,09,100	Machinery	80,000	
			Add: Addition	20,000	
<b>Current Liabilities</b>			Less: Depreciation	9,500	90,500
Creditors		32,000	Motor Car	70,000	
			Less: Depreciation	14,000	56,000
			<b>Current Assets</b>		
			Closing Stock		55,000
			Insurance company		6,800
			Prepaid Insurance		900
			Debtors		1,20,000
			Sign Board		1,500
			Cash at Bank		5,400
		<b>3,41,100</b>			<b>3,41,100</b>

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

### Working Notes 1: Evaluation of Depreciation

Depreciation on Plant and Machinery =  $80,000 \times \frac{10}{100} + 20,000 \times \frac{10}{100} \times \frac{9}{100} = ₹ 9,500$

Depreciation on Motor Car =  $70,000 \times \frac{20}{100} = ₹ 14,000$

### Working Notes 2: Evaluation of Prepaid Insurance

Prepaid Insurance =  $1,200 \times \frac{9}{12} = ₹ 900$

### Q.12 Give journal entries for the following adjustments in final accounts:

- (i) Salaries ₹ 5,000 are outstanding.
- (ii) Insurance amounting to ₹ 2,000 is paid in advance.
- (iii) ₹ 4,000 for rent have been received in advance.
- (iv) Commission earned but not received ₹ 1,000.
- (v) Interest on capital ₹ 1,500.
- (vi) Interest on Drawings ₹ 300.
- (vii) Write off ₹ 2,000 as further bad-debts.
- (viii) Closing Stock ₹ 3,000.

The solution for this question is as follows:



Journal				
Date	Particulars	L.F.	₹	₹
1.	Salary A/c	Dr.	5,000	
	To Outstanding Salary A/c			5,000
	(Adjusted outstanding salary)			
2.	Prepaid Insurance A/c	Dr.	2,000	
	To Insurance A/c			2,000
	(Adjusted insurance prepaid)			
3.	Rent A/c	Dr.	4,000	
	To Rent Received in Advance A/c			4,000
	(Adjusted advance rent received)			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

4.	Accrued Commission A/c	Dr.		1,000	
	To Commission A/c				1,000
	(Adjusted commission receivable)				
5.	Interest on Capital A/c	Dr.		500	
	To Capital A/c				500
	(Allowed capital interest)				
6.	Drawings A/c	Dr.		300	
	To Interest on Drawings A/c				300
	(Charged drawing interest)				
7.	Bad Debts A/c	Dr.		2,000	
	To Debtors A/c				2,000
	(Bad debts written off)				
8.	Closing Stock A/c	Dr.		3,000	
	To Trading A/c				3,000
	(Closing Stock transferred to Trading Account)				

**Question 13** Give journal entries for the following adjustments in final accounts assuming CGST and SGST @ 9% each:

- (i) Closing Stock ₹ 80,000.
- (ii) Outstanding salaries ₹ 21,000.
- (iii) Insurance premium amounting to ₹ 15,000 is paid in advance.
- (iv) ₹ 9,000 received for rent related to the next accounting period.
- (v) Commission accrued but not received during the accounting year ₹ 1,500.
- (vi) Write off ₹ 500 as further bad debts.
- (vii) Goods costing ₹ 8,000 destroyed by fire and insurance company admitted a claim for ₹ 5,000 only.
- (viii) Goods costing ₹ 10,000 (Market value ₹ 11,000) were taken by proprietor for personal use.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The solution for this question is as follows:

Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
(i)	Closing Stock A/c	Dr.	80,000	
	To Trading A/c			80,000
	(Transfer of Closing Stock to Trading A/c)			
(ii)	Salary A/c	Dr.	21,000	
	To Outstanding Salary A/c (Outstanding salaries)			21,000
(iii)	Prepaid Insurance A/c	Dr.	15,000	
	To Insurance A/c			15,000
	(Insurance premium paid in advance)			
(iv)	Rent A/c	Dr.	9,000	
	To Rent Received in Advance A/c			9,000
	(Rent received in advance)			
(v)	Accrued Commission A/c	Dr.	1,770	
	To Commission A/c			1,500
	To Output CGST A/c			135
	To Output SGST A/c			135
	(Commission accrued but not received)			
(vi)	Bad Debts A/c	Dr.	500	
	To Debtors A/c			500
	(Write off further bad debts)			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

(vii)	Loss by Fire A/c	Dr.		9,440	
	To Purchases A/c				8,000
	To Input CGST A/c				720
	To Input SGST A/c				720
	(Loss of goods by fire)				
	Insurance Company A/c	Dr.		5,000	
	Profit & Loss A/c			4,440	
	To Loss by Fire A/c				9,440
	(Insurance company admitted claim)				
(viii)	Drawings A/c	Dr.		11,800	
	To Purchases A/c				10,000
	To Input CGST A/c				900
	To Input SGST A/c				900
	(Goods withdrawn by proprietor for personal use)				

**Q.14** Following is the Trial Balance of Mr. Gautam as at 31st March, 2017:

Dr. Balances	(₹)	Cr. Balances	(₹)
Goodwill	30,000	Purchase Returns	2,650
Land & Buildings	60,000	Capital A/c	2,03,000
Plant & Machinery	40,000	Bills Payable	13,800
Loose Tools	3,000	Sundry Creditors	30,000
Bills Receivable	2,000	Sales	1,15,000
Stock 1st April, 2016	40,000		
Purchases	51,000		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Wages	20,000		
Carriage Inwards	1,200		
Coal & Gas	5,600		
Salaries	4,000		
Rent	2,700		
Discount allowed	1,500		
Cash at Bank	25,000		
Cash in hand	1,400		
Sundry Debtors	45,000		
Repairs	1,800		
Printing & Stationery	600		
Bad-debts	1,200		
Advertisements	3,500		
Furniture and Fixtures	1,200		
General Expenses	250		
Investments	5,000		
Drawings	15,000		
Carriage Outwards	1,500		
Sales Returns	2,000		
	3,64,450		3,64,450

You are required to prepare Final Accounts after taking into account the following adjustments:

- (a) Closing Stock on 31st March, 2017 was ₹ 60,000.
- (b) Depreciate Plant and Machinery at 5%, Loose Tools at 15% and Furniture and fixtures at 5%.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

(c) Provide 212% for discount on Sundry Debtors and also provide 5% for Bad and Doubtful Debts on Sundry Debtors.

(d) Only three quarter's rent has been paid, the last quarter's rent being outstanding.

(e) Interest earned but not received ₹ 600.

(f) Write off 14th of Advertisement expenses.

The solution for this question is as follows:

Trading Account of Mr. Gautam				
Dr.				Cr.
Particulars	₹		Particulars	₹
Opening Stock	40,000		Sales	1,15,000
Purchases	51,000		Less: Sales Return	2,000
Less: Purchases Return	2,650	48,350	Closing Stock	60,000
Wages	20,000			
Carriage Inwards	1,200			
Coal and Gas	5,600			
Gross Profit ( <i>Balancing Figure</i> )	57,850			
	<b>1,73,000</b>			<b>1,73,000</b>
Profit and Loss Account				
Dr.				Cr.
Particulars	₹		Particulars	₹
Depreciation: ( <i>WM</i> )			Gross Profit	57,850
Plant & Machinery	2,000		Accrued Interest	600
Loose Tools	450			
Furniture	60	2,510		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Rent	2,700			
<i>Add: Outstanding Rent (WN2)</i>	900	3,600		
Bad Debts	1,200			
<i>Add: New Provision (WN3)</i>	2,250	3,450		
Discount Allowed		1,500		
Provision for Discount on Debtors (WN4)		1,069		
Advertisement Expenses written-off		875		
Salaries		4,000		
Repairs		1,800		
Printing & Stationery		600		
General Expenses		250		
Carriage Outwards		1,500		
Net Profit ( <i>Balancing Figure</i> )		37,296		
		<b>58,450</b>		<b>58,450</b>

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	2,03,000		<b>Fixed Assets</b>		
<i>Add: Net Profit</i>	37,296		Plant & Machinery	40,000	
<i>Less: Drawings</i>	15,000	2,25,296	<i>Less: Depreciation</i>	2,000	38,000
			Loose Tools	3,000	
<b>Current Liabilities</b>			<i>Less: Depreciation</i>	450	2,550

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Creditors	30,000	Furniture & Fixtures	1,200	
Bills Payable	13,800	Less: Depreciation	60	1,140
Outstanding Rent	900	Investments		5,000
		Land & Building		60,000
		Goodwill		30,000
		<b>Current Assets</b>		
		Closing Stock		60,000
		Accrued Interest		600
		Advertisement Expenditure		2,625
		Bills Receivable		2,000
		Cash at Bank		25,000
		Debtors	45,000	
		Less: Provision for Bad Debts	2,250	
		Less: Provision for Discount	1,069	41,681
		Cash in Hand		1,400
	<b>2,69,996</b>			<b>2,69,996</b>

### Working Notes 1: Depreciation Evaluation

Depreciation of Plant & Machinery =  $40,000 \times \frac{5}{100} = ₹2,000$

Depreciation of Furniture & Fixtures =  $1,200 \times \frac{5}{100} = ₹60$

Depreciation of Loose Tools =  $3,000 \times \frac{15}{100} = ₹450$

### Working Notes 2: Outstanding Rent Evaluation

Rent paid for 3 quarters = 2,700

Rent per quarter =  $2,700/3$

= ₹900 (Outstanding Rent)

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

### Working Notes 3:

Provision for doubtful debts Evaluation

Provision for doubtful debts = Sundry Debtors X Rate/100

= 45,000 × 5/100 = Rs 2,250

### Working Notes 4: Provision for Discount on Debtors Evaluation

Provision for Discount on Debtors = (Sundry Debtors – Provision for Bad Debts) X Rate/100

= (45,000 – 2,250) × 2.5/100 = ₹ 1,069

**Q.15** From the following Trial Balance, extracted from the books of Raga Ltd., prepare a Profit and Loss Account for the year ended 31st March, 2014 and a Balance Sheet as at that date:

Debit Balances	₹	Credit Balances	₹
Drawings Account	20,000	Sales	2,20,000
Land & Building	12,000	Capital	1,01,110
Plant and Machinery	40,000	Discount	1,260
Carriage Inward	100	Commission	5,230
Wages	500	Bills Payable	1,28,870
Salary	2,000	Purchase 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		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Sundry Debtors	54,300		
Cash in hand	30,00		
	4,66,470		4,66,470

The additional information are as under:

- (i) Closing stock was valued at the end of the year at ₹ 20,000.
- (ii) Depreciation on Plant and Machinery charged at 5% and on Land and Building at 10%.
- (iii) Make a provision for discount on debtors at 3%.
- (iv) Make a provision at 5% on debtors for Bad-debts.
- (v) Salary outstanding was ₹ 100 and Wages prepaid were ₹ 40.
- (vi) The manager is entitled to a Commission of 5% on Net Profit after charging such Commission.

The solution for this question is as follows:

Trading Account of Raga Ltd.				
Dr.				Cr.
Particulars		₹	Particulars	₹
Opening Stock		76,800	Sales	2,20,000
Purchases	1,50,000		Less: Sales Return	200
Less: Purchases Return	10,000	1,40,000	Closing Stock	20,000
Wages	500			
Less: Prepaid	40	460		
Carriage Inward		100		
Coal, Gas and Water		1,200		
Gross Profit ( <i>Balancing Figure</i> )		21,240		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

	<b>2,39,800</b>		<b>2,39,800</b>

Profit and Loss Account			
Dr.			Cr.
Particulars		₹	Particulars
Depreciation: ( <i>WN1</i> )			Gross Profit
Plant & Machinery	2,000		Discount Received
Land & Building	1,200	3,200	Apprentice Premium
Salaries	2,000		
<i>Add:</i> Outstanding	100	2,100	
Provision for Doubtful Debts ( <i>WN2</i> )		2,715	
Provision for Discount on Debtors ( <i>WN3</i> )		1,548	
Bank Charges		200	
Trade Expenses		3,800	
Rates & Taxes		870	
Outstanding Manager's Commission ( <i>WN4</i> )		633	
Net Profit ( <i>Balancing Figure</i> )		12,644	
		<b>27,730</b>	<b>27,730</b>

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	1,01,110		<b>Fixed Assets</b>		
Add: Net Profit	12,664		Plant & Machinery	40,000	
Less: Drawings	20,000	93,774	Less: Depreciation	2,000	38,000
			Land & Building	12,000	
<b>Current Liabilities</b>			Less: Depreciation	1,200	10,800
Outstanding Manager's Commission		633			
Bills Payable		1,28,870	<b>Current Assets</b>		
Outstanding Salaries		100	Closing Stock		20,000
			Prepaid Wages		40
			Bills Receivable		24,500
			Cash at Bank		50,000
			Debtors	54,300	
			Less: Provision for Bad Debts	2,715	
			Less: Provision for Discount	1,548	50,037
			Cash in Hand		30,000
		<b>2,23,377</b>			<b>2,23,377</b>

### Working Notes 1: Depreciation Evaluation

Depreciation of Plant and Machinery =  $40,000 \times \frac{5}{100} = 2,000$

Depreciation on Building =  $12,000 \times \frac{10}{100} = ₹1,200$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

### Working Notes 2: Doubtful Debts Evaluation

Provision for doubtful debts = Sundry Debtors X Rate/100

$$= 54,300 \times 5/100 = ₹2,715$$

### Working Notes 3: Discount on debtors Evaluation

Provision for discount on debtors = (Sundry Debtors – provision for bad debts) X Rate/100

$$= (54,300 - 2,715) \times 3/100 = ₹1,548$$

### Working Notes 4: Manager's commission Evaluation

Profit before manager's commission = ₹13,297 (27,730-14,433) X 5/100 = 633

**Q.16 The following balances were extracted from the books of Shri Krishan Kumar as at 31st March, 2017:**

	Dr. ₹	Cr. ₹
<b>Capital</b>		<b>24,500</b>
<b>Drawings</b>	<b>2,000</b>	
<b>General Expenses</b>	<b>2,500</b>	
<b>Buildings</b>	<b>11,000</b>	
<b>Machinery</b>	<b>9,340</b>	
<b>Stock (1-4-2016)</b>	<b>16,200</b>	
<b>Power</b>	<b>2,240</b>	
<b>Taxes and Insurance</b>	<b>1,315</b>	
<b>Wages</b>	<b>7,200</b>	
<b>Sundry Debtors</b>	<b>6,280</b>	
<b>Sundry Creditors</b>		<b>2,500</b>
<b>Charity</b>	<b>105</b>	
<b>Bad-debts</b>	<b>550</b>	
<b>Bank Overdraft</b>		<b>11,180</b>
<b>Sales</b>		<b>65,360</b>

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

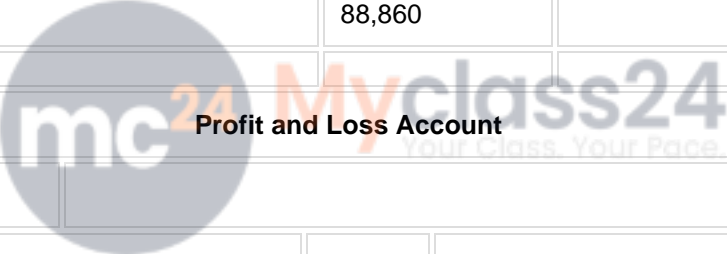
Purchases	47,000	
Scooter	2,000	
Scooter Expenses	500	
Bad-debts Provision		900
Commission		1,320
Trade Expenses	1,280	
Bills Payable		3,850
Cash	100	
	<b>1,09,610</b>	<b>1,09,610</b>

Adjustments: -

- (i) Stock on 31st March, 2017 was valued at ₹ 23,500.
- (ii) 15th of general expenses and taxes & insurance to be charged to the factory and the balance to the office.
- (iii) Write off a further Bad-debts of ₹ 160 and maintain the provision for Bad-debts at 5% on Debtors.
- (iv) Depreciate Machinery at 10% and Scooter by ₹ 240.
- (v) Provide ₹ 700 for outstanding interest on Bank Overdraft.
- (vi) Prepaid Insurance is to the extent of ₹ 50.
- (vii) Provide for Manager's Commission at 10% on the Net Profit after charging such Commission.
- Prepare final accounts for the year ended 31st March, 2017 after giving effect to the above adjustments.

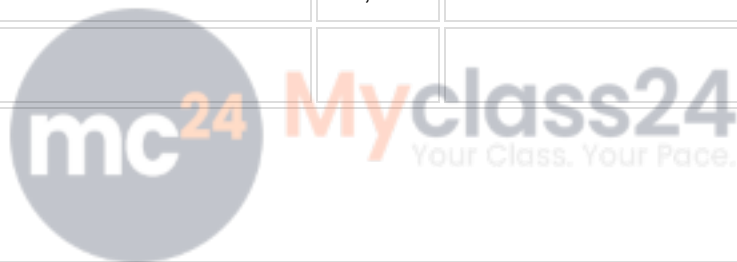
The solution for this question is as follows:

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Trading Account of Shri Krishan Kumar					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		16,200	Sales		65,360
Purchases		47,000	Closing Stock		23,500
Wages		7,200			
General Expenses (1/5th)		500			
Taxes and Insurance (1/5th)		253			
Power		2,240			
Gross Profit ( <i>Balancing Figure</i> )		15,467			
		88,860			88,860
					
Profit and Loss Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Depreciation: ( <i>WN1</i> )			Gross Profit		15,467
Machinery	934		Commission Received		1,320
Scooter	240	1,174			
Old Bad Debts	550				
<i>Add:</i> Further Bad Debts	160				
<i>Add:</i> New Provision ( <i>WN2</i> )	306				
<i>Less:</i> Old Provision	900	116			
Outstanding Interest on Bank Overdraft		700			
Taxes & Insurance	1,315				

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Less: Pre-paid	50				
Less: T/f to Trading A/c	253	1,012			
General Expenses	2,500				
Less: T/f to Trading A/c	500	2,000			
Charity		105			
Scooter Expenses		500			
Trade Expenses		1,280			
Outstanding Manager's Commission (WN3)		900			
Net Profit ( <i>Balancing Figure</i> )		9,000			
		16,787		16,787	



Balance Sheet					
Liabilities		₹	Assets		₹
Capital	24,500		Fixed Assets		
Add: Net Profit	9,000		Machinery	9,340	
Less: Drawings	2,000	31,500	Less: Depreciation	934	8,406
			Scooter	2,000	
Current Liabilities			Less: Depreciation	240	1,760
Creditors		2,500	Building		11,000
Outstanding Manager's Commission		900			
Bills Payable		3,850	Current Assets		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Outstanding Interest on Bank Overdraft	700	Closing Stock	23,500
Bank Overdraft	11,180	Prepaid Insurance	50
		Debtors	6,280
		Less: Bad Debts	160
		Less: Provision for Bad Debts	306
			5,814
		Cash in Hand	100
	50,630		50,630

### Working Notes 1: Depreciation Evaluation

Machinery Depreciation =  $9,340 \times 10/100 = ₹934$

### Working Notes 2: Provision for doubtful debts Evaluation

Provision for doubtful debts = (Sundry Debtors – Further Bad debts) X Rate/100

=  $(6,280 - 160) \times 5/100 = ₹ 306$

### Working Notes 3: Manager's Commission Evaluation

Profit before Manager's Commission = ₹ 9,900 (16,787 – 6,887)

Manager's Commission =  $9,900 \times 10/110 = ₹ 900$

**Q.17(A) On 31st March, 2017 the following Trial Balance was extracted from the books of Sh. Ghanshyam Das: -**

	Dr. ₹	Cr. ₹
<b>Capital Account</b>		<b>2,00,000</b>
<b>Debtors and Creditors</b>	<b>40,000</b>	<b>25,000</b>
<b>Loan on Mortgage</b>		<b>30,000</b>
<b>Interest on Loan</b>	<b>2,250</b>	
<b>Discount</b>		<b>1,800</b>
<b>Stock on 1st April, 2016</b>	<b>20,000</b>	
<b>Motor Vehicle</b>	<b>50,000</b>	

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Cash at Bank	4,450	
Investments	16,000	
Wages	18,000	
Land and Building	2,80,000	
Bad-Debts	1,500	
Purchases and Sales	2,50,000	4,80,000
Purchases and Sales Returns	12,000	10,000
Carriage Outward	8,000	
Carriage Inward	6,500	
Salaries	7,200	
Outstanding Salaries		600
Rates, Taxes and Insurance	15,000	
Advertising	5,000	
General Expenses	6,400	
Bills Receivable and Payable	7,500	5,400
Prepaid Insurance	3,000	
	7,52,800	7,52,800

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date, after making adjustments for the following matters:

1. Depreciate Land and Building at 2.5% and Motor Vehicles at 20%.
2. Interest on Loan at 15% p.a. is unpaid for six months.
3. Ghanshyam Das withdrew ₹ 2,000 for his private use. This amount was included in general expenses.
4. Interest on Investments is receivable for full year @ 10%.
5. Provide for Manager's Commission at 10% on Net Profit after charging such commission.
6. Stock in hand on 31st March, 2017 was valued at ₹ 25,000 (Realisable value ₹ 22,000).

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The solution for this question is as follows:

Trading Account of Sh. Ghanshyam Das					
Dr.			Cr.		
Particulars	₹		Particulars	₹	
Opening Stock	20,000		Sales	4,80,000	
Purchases	2,50,000		Less: Sales Return	12,000	4,68,000
Less: Purchases Return	10,000	2,40,000	Closing Stock		22,000
Wages	18,000				
Carriage Inwards	6,500				
Gross Profit ( <i>Balancing Figure</i> )	2,05,500				
	4,90,000				4,90,000
<b>Profit and Loss Account</b>					
Dr.			Cr.		
Particulars	₹		Particulars	₹	
Depreciation: ( <i>WN1</i> )			Gross Profit	2,05,500	
Land & Building	7,000		Accrued Interest on Investment	1,600	
Motor Vehicle	10,000	17,000	Discount Received	1,800	
Interest on Loan	2,250				
<i>Add: Outstanding (WN2)</i>	2,250	4,500			
General Expenses	6,400				
Less: Drawings	2,000	4,400			
Bad Debts		1,500			
Carriage Outwards		8,000			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Salaries	7,200		
Rates, Taxes and Insurance	15,000		
Advertisement	5,000		
Outstanding Manager's Commission (WN3)	13,300		
Net Profit ( <i>Balancing Figure</i> )	1,33,000		
	2,08,900		2,08,900

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	2,00,000		Fixed Assets		
Add: Net Profit	1,33,000		Land & Building	2,80,000	
Less: Drawings	2,000	3,31,000	Less: Depreciation	7,000	2,73,000
			Motor Vehicle	50,000	
Current Liabilities			Less: Depreciation	10,000	40,000
Creditors		25,000	Investments		16,000
Outstanding Manager's Commission		13,300	Current Assets		
Outstanding Salaries		600	Closing Stock		22,000
Bills Payable		5,400	Bills Receivable		7,500
Loan on Mortgage	30,000		Debtors		40,000
Outstanding Interest on Loan	2,250	32,250	Prepaid Insurance		3,000
			Accrued Interest on Investment		1,600
			Cash at Bank		4,450
		4,07,550			4,07,550

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

### Working Notes 1: Depreciation Evaluation

Land & Building Depreciation =  $2,80,000 \times \frac{2.5}{100} = ₹7,000$

Motor Vehicle Depreciation =  $50,000 \times \frac{20}{100} = ₹10,000$

### Working Notes 2: Outstanding Interest on Loan Evaluation

Outstanding Interest =  $30,000 \times \frac{15}{100} \times \frac{6}{12} = ₹ 2,250$

### Working Notes 3: Manager's Commission Evaluation

Profit before Manager's Commission = Rs 1,46,300 (2,08,900 - 62,600)

Manager's Commission =  $1,46,300 \times \frac{10}{110} = ₹13,300$

**Q. 17(B) Prepare Trading and Profit and Loss Account and Balance Sheet as at 31st March, 2017 from the following Balances of Mr. Sardari Lal:**

Particulars	(₹)	Particulars	(₹)
Capital Account	41,000	Drawings	5,000
Creditors – Trade	30,000	Purchases	1,71,000
Creditors – Expenses	6,800	Carriage inwards	1,500
Rent Received	600	Wages	23,000
Purchases Returns	4,000	Power	9,000
Sales	2,89,600	Rent and Insurance	19,900
Bad-Debts Provision on 1st April, 2016	600	Salaries	34,400
Advertising Development	8,000	Discount Received	1,800
Goodwill	5,000	General Charges	8,600
Plant and Machinery	20,000	Sales Returns	600
Traveller's Samples	2,700	Traveller's Commission	2,890
Stock on 1-4-2016	32,000	Traveller's Salaries	9,100
Debtors	14,600	Discount Allowed	5,000
Cash at Bank	2,000		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Cash in hand	110		
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**Adjustments:** - The Closing stock was ₹ 23,000 but there has been a loss by fire on 20th March, 2017, to the extent of ₹ 20,000, not covered by insurance. Depreciate Plant and Machinery by 10% and Traveller's Samples by 3312%. Increase the Bad-debts Provision to ₹ 2,000. Write 20% off Advertising Development Account. Annual premium on insurance expiring 1st June, 2017 was ₹ 1,200. Provide for Manager's commission @ 5% on Net Profits after charging such Commission.

The solution for this question is as follows:

Trading Account of Mr. Sardari Lal					
Dr.					Cr.
Particulars	₹		Particulars	₹	
Opening Stock		32,000	Sales	2,89,600	
Purchases	1,71,000		Less: Sales Return	600	2,89,000
Less: Purchases Return	4,000		Closing Stock		23,000
Less: Goods Destroyed by Fire	20,000	1,47,000			
Power		9,000			
Carriage Inwards		1,500			
Wages		23,000			
Gross Profit ( <i>Balancing Figure</i> )		99,500			
		3,12,000			3,12,000
Profit and Loss Account					
Dr.					Cr.
Particulars	₹		Particulars	₹	
Depreciation: (WN1)			Gross Profit		99,500
Traveller's Sample	900		Rent Received		600

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Plant & Machinery	2,000	2,900	Discount Received	1,800
Rent & Insurance	19,900		Net Loss ( <i>Balancing Figure</i> )	3,690
Less: Prepaid (WN2)	200	19,700		
New Provision	2,000			
Less: Old Provision	600	1,400		
Traveller's Commission		2,890		
Traveller's Salaries		9,100		
Salaries		34,400		
Discount Allowed		5,000		
Loss by Fire		20,000		
Advertisement Development Expenditure written-off (WN3)		1,600		
General Charges		8,600		
		1,05,590		1,05,590

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	41,000		Fixed Assets		
Less: Net Loss	3,690		Plant & Machinery	20,000	
Less: Drawings	5,000	32,310	Less: Depreciation	2,000	18,000
			Traveller's Samples	2,700	
Current Liabilities			Less: Depreciation	900	1,800
Creditors- Expenses	6,800		Goodwill		5,000
Creditors- Trade	30,000		Current Assets		
			Closing Stock		23,000
			Advertisement Development		6,400
			Prepaid Insurance		200
			Cash in Hand		110
			Debtors	14,600	
			Less: Provision for Doubtful Debts	2,000	12,600
			Cash at Bank		2,000
		69,110			69,110

### Working Notes 1: Depreciation Evaluation

Plant and Machinery =  $20,000 \times \frac{10}{100} = ₹ 2,000$

Traveller's Samples =  $2,700 \times \frac{100}{3 \times 100} = ₹ 900$

### Working Notes 2: Prepaid Insurance Evaluation

Prepaid Insurance =  $1,200 \times \frac{2}{12} = ₹ 200$

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

**Working Notes 3:** Advertisement Expenditure Written-off Evaluation

Advertisement Expenditure Written-off =  $8,000 \times \frac{20}{100} = ₹ 1,600$

**Working Notes 4:** Manager's Commission Evaluation

Since, there is a net loss, therefore, there will be no commission for the manager.

**Q.18 State with reasons whether the following are capital or revenue expenditures:**

(i) A new machine is purchased for ₹ 60,000, ₹ 800 were spent on its carriage and ₹ 1,500 were paid as wages for its installation.

(ii) A sum of ₹ 40,000 was spent on painting the new factory.

(iii) ₹ 6,000 were paid for annual insurance premium.

(iv) ₹ 20,000 were spent on repairs before using a second hand generator purchased recently.

(v) ₹ 5,000 were spent on the repair of a machinery.

(vi) ₹ 50,000 were spent for air-conditioning of the office of the manager.

The solution for this question is as follows:

1. The purchase of machine, carriage, and installation is considered as a capital expenditure as it is an asset and will contribute in future revenue.
2. Painting a new factory falls into capital expenditure as it will increase the revenue capacity of a firm
3. Annual insurance premium is a standard and regular business activity; therefore, it is a revenue expenditure.
4. Repair of a second hand generator is every year expenditure which will increase the revenue of a business, so it will be considered as capital expenditure.
5. Repair of a second hand machine is a regular expense which will contribute to the revenue generation of a company. So, it is a revenue expenditure.
6. Money spent on manager's air conditioning will strengthen the asset value and thus, it is a capital expenditure.

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q.19 From the following Trial Balance of Mr. Alok, prepare Trading and Profit & Loss Account for the year ending 31st March, 2014, and a Balance Sheet as at that date: -

Dr. Balances	(₹)	Cr. Balances	(₹)
Drawings	5,275	Capital	59,700
Bills Receivable	4,750	Loan at 8% p.a. (on.1.4.2013)	10,000
Machinery	14,400	Commission Received	2,820
Debtors (including X for dishonoured Bill of ₹ 1,000)	30,000	Creditors	29,815
Wages	20,485	Sales	1,78,215
Returns Inward	2,390		
Purchases	1,28,295		
Rent	2,810		
Stock (1.4.2013)	44,840		
Salaries	5,500		
Travelling Expenses	945		
Insurance	200		
Cash	9,750		
Repairs	1,685		
Interest on Loan	500		
Discount Allowed	2,435		
Bad-Debts	1,810		
Furniture	4,480		
	<b>2,80,550</b>		<b>2,80,550</b>

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

The following adjustments are to be made:

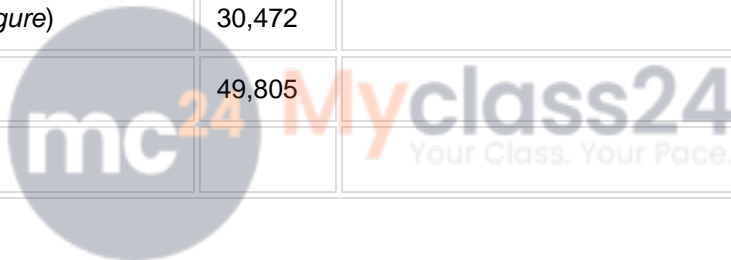
- (i) Stock in the shop on 31st March, 2014 was ₹ 64,480.
- (ii) Half the amount of X's Bill is irrecoverable.
- (iii) Create a provision of 5% on other debtors.
- (iv) Wages include ₹ 600 for erection of new Machinery.
- (v) Depreciate Machinery by 5% and Furniture by 10%.
- (vi) Commission includes ₹ 300 being Commission received in advance.

The solution for this question is as follows:

Trading Account of Mr. Alok					
Dr.			Cr.		
Particulars	₹		Particulars	₹	
Opening Stock	44,840		Sales	1,78,215	
Purchases	1,28,295		Less: Return Inwards	2,390	1,75,825
Wages	20,485		Closing Stock		64,480
Less: Erection Charges of New Machinery	600	19,885			
Gross Profit ( <i>Balancing Figure</i> )	47,285				
	2,40,305				2,40,305
Profit and Loss Account					
Dr.			Cr.		
Particulars	₹		Particulars	₹	
Depreciation: (WN1)			Gross Profit		47,285
Machinery	750		Commission	2,820	
Furniture	448	1,198	Less: Comm. Received in advance	300	2,520
Old Bad Debts	1,810				

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Add: Further Bad Debts	500			
Add: New Provision (WN2)	1,450	3,760		
Rent		2,810		
Interest on Loan	500			
Add: Outstanding (WN3)	300	800		
Salaries		5,500		
Travelling Expenses		945		
Insurance		200		
Repairs		1,685		
Discount Allowed		2,435		
Net Profit (Balancing Figure)		30,472		
		49,805		49,805



<b>Balance Sheet</b>					
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>		<b>₹</b>
Capital	59,700		Fixed Assets		
Add: Net Profit	30,472		Machinery	14,400	
Less: Drawings	5,275	84,897	Add: Erection charges	600	
8% Loan		10,000	Less: Depreciation	750	14,250
			Furniture	4,480	
Current Liabilities			Less: Depreciation	448	4,032
Creditors		29,815			

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Outstanding Interest	300	Current Assets	
Commission received in advance	300	Closing Stock	64,480
		Bills Receivables	4,750
		Debtors	30,000
		Less: Bad Debts	500
		Less: Provision for Doubtful Debts	1,450
		Cash in Hand	9,750
	1,25,312		1,25,312

### Working Notes 1: Depreciation Evaluation

Machinery Depreciation =  $(14,400 + 600) \times 5/100 = ₹ 750$

Furniture Depreciation =  $4,480 \times 10/100 = ₹ 448$

### Working Notes 2: Provision of doubtful debts Evaluation

Provision of doubtful debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts} - \text{Amount recoverable from X}) \times \text{Rate}/100$   
 $= (30,000 - 500 - 500) \times 5/100 = ₹ 1,450$

\*Provisions to be maintained on Debtors other than X

### Working Notes 3: Outstanding interest on loan Evaluation

Interest on Loan =  $10,000 \times 8/100 = ₹ 800$

Interest on Loan already Paid = 300

Therefore, Outstanding Interest on Loan = Rs 300

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Q. 20 Extracts of Trial Balance as at 31st March, 2017:

	Dr. ₹	Cr. ₹
Sundry Debtors (including Dewan for dishonoured bill of ₹ 20,000)	4,80,000	-
Provision for Doubtful Debts	-	24,000
Bad Debts	10,000	-

**Adjustments:**

- (i) 234% of Dewan's bill is irrecoverable.
- (ii) Create a provision of 6% on Sundry Debtors.

Show the effect on the Profit and Loss Account and Balance Sheet.

The solution for this question is as follows:

Profit and Loss Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Old Bad Debts	10,000			
<i>Add:</i> Further Bad Debts	15,000			
<i>Add:</i> New Provision	27,600			
<i>Less:</i> Old Provision	24,000	28,600		

## DK Goel Solutions for Class 11 Accountancy Chapter 22 Financial Statements - With Adjustments

Balance Sheet				
Liabilities	₹	Assets	₹	
		<b>Current Assets</b>		
		Debtors	4,80,000	
		Less: Bad Debts	15,000	
		Less: Provision for Doubtful Debts	27,600	4,37,400

### Working Note 1: Provision for Doubtful Debts Evaluation

Provision for Doubtful Debts = (Sundry Debtors – Further Bad Debts – Amount recoverable from Dewan\*)  
X Rate/100

$$= (4,80,000 - 15,000 - 5,000) \times 6/100 = ₹ 27,600$$

\*Apart from Dewan the provision will be maintained by Debtors

