

12. ACCOUNTS FROM INCOMPLETE RECORDS

NO. OF PROBLEMS IN 42E OF CA INTER: CLASSROOM - 08, ASSIGNMENT - 10

NO. OF PROBLEMS IN 41.5E OF CA INTER: CLASSROOM - 10, ASSIGNMENT - 13

NO. OF PROBLEMS IN 42.5(2E) OF CA INTER: CLASSROOM - 08, ASSIGNMENT - 11

MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC & CA INTER

MODEL NO.	N-11	M-12	N-12	M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18(O)	M-18(N)	N-18(O)	N-18(N)	M-19(N)
Model – 1	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-
Model – 2	-	-	-	16	-	16	-	16	-	8	-	16	-	-	-	16	15	12
Model – 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Model – 4	-	8	-	-	8	-	-	-	4	-	-	-	-	-	-	-	-	-
Model – 5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Model – 1 : Profit by Capital Comparison

Model – 2 : Preparation of Financial Statements

Model – 3 : Cash theft/ Cash defalcation

Model – 4 : Statement of affairs

Model – 5 : Theory

SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL

PROBLEM No. in this material	Problem No. in NEW SM	Problem No. in OLD SM	Problem No. in OLD PM	RTP	MTP	Previous Exams	Remarks
CR -1	ILL- 1 & 2	ILL- 1 & 2	-	-	-	-	-
CR -2	-	ILL-5	-	-	-	-	-
CR -3	ILL-3	ILL-3	-	-	-	-	-
CR -4	PQ NO-4	-	3	-	-	-	-
CR -5	ILL-5	ILL-6	7	-	-	-	-
CR -6	ILL-9	ILL-11	-	N18 (N&O)	-	-	-
CR -7	ILL-8	ILL-9	-	-	-	-	-
CR -8	PQ NO-5	-	14	-	-	-	-
CR -9	PQ NO-2	-	1(b)	-	-	-	-
ASG- 1	-	-	-	M14	-	-	-
ASG- 2	ILL-4	ILL-4	-	-	-	-	-
ASG -3	-	-	14	-	-	-	-
ASG -4	-	-	16	-	-	-	-
ASG- 5	ILL-6	ILL-7	-	-	-	-	-
ASG- 6	-	-	-	-	-	-	-
ASG- 7	ILL-7	ILL-8	-	-	-	-	-
ASG- 8	-	-	12	-	M18_1(N)	-	-
ASG- 9	-	-	18	-	-	M15	-
ASG- 10	-	-	5	-	-	-	-
ASG- 11	-	-	-	-	-	-	-
ASG- 12	PQ NO-3	-	2	-	-	-	-

THEORY

Introduction: Very often the small sole proprietorship and partnership business do not maintain double entry book keeping system. They keep record only of the cash & credit transactions. But at the end of the accounting period they want to know the performance and financial position of their business. In such a case accounts should be made from such incomplete records.

Meaning: Single entry does not mean (as the name goes) that there is one entry for each transaction i.e. only one account is given debit or credit for each transaction. The term "Single Entry System" is popularly used to describe the problems of accounts from incomplete records.

Single entry accounting may consist of

Double entry for some transactions,

Single entry in respect of other transactions, and

No entry in respect of some transactions.

From the above, it becomes clear that single entry is not any particular system of accounting but rather it is the double entry system in an incomplete form. So, this chapter is better to be called as Accounts from incomplete records.

Features of Single Entry System:

1. It is an inaccurate, unscientific and unsystematic method of recording business transactions.
2. There is generally no record of real and personal accounts and, in most of the cases; a record is kept for cash transactions and personal accounts.
3. Cash book mixes up business and personal transactions of the owners.
4. There is no uniformity in maintaining the records and the system may differ from firm to firm depending on the requirements and convenience of each firm.
5. Profit under this system is only an estimate and therefore true and correct profits cannot be determined. The same is the case with the financial position in the absence of a proper balance sheet.

Types of Single Entry System:

A scrutiny of many procedures adopted in maintaining records under single entry system brings forth the existence of following three types:

1. **Pure single entry:** In this, only personal accounts are maintained with the result that no information is available in respect of cash and bank balances, sales and purchases, etc.. In view of its failure to provide even the basic information regarding cash etc., this method exists only on paper and has no practical application.
2. **Simple single entry:** In this, only: (a) personal accounts, and (b) cash book are maintained. Although these accounts are kept on the basis of double entry system, postings from cash book are made only to personal accounts and no other account is to be found in the ledger. Cash received from debtors or cash paid to creditors is simply noted on the bills issued or received as the cash may be.
3. **Quasi single entry:** In this (a) personal accounts, (b) cash book, and (c) some subsidiary books are maintained. The main subsidiary books kept under this system are Sales book, Purchases book and Bills book. No separate record is maintained for discounts which are entered into the personal accounts. In addition, some scattered information is also available in respect of few important items of expenses like wages, rent, rates, etc., In fact, this is the method which is generally adopted as a substitute for double entry system.

Methods to ascertain profit from incomplete records:

1. Capital Comparison method.
2. Conversion Method.

Capital Comparison Method/Statement of Affairs Method/ Net worth Method: When Used: While preparing accounts from incomplete records, if sufficient information is not available regarding expenses & incomes to ascertain the profit by preparing P & L A/c, it is better to follow the Capital Comparison Method to arrive at the profit figure as follows:

Particulars	Rs.
Capital at the end	XXX
Add: Drawings	XXX
Less: Fresh capital introduced	XXX
Less: Capital in the beginning	XXX
Profit for the period	XXX

Note:

- Opening Capital and Closing Capital in the above table should be determined by preparing Statement of Affairs (which is similar to Balance Sheet) at two respective points of time.
- Information regarding various assets & liabilities can be ascertained from the following sources.
 - Cash book for cash balance
 - Bank pass book for bank balance.
 - Personal ledger for debtors and creditors
 - Stock by actual counting and valuation.
 - As regards fixed assets, he prepares a list of them. The proprietor would help him by disclosing the original cost and date of purchase. After deducting reasonable amount of depreciation, the written down or depreciated value would be included in the Statement of Affairs.

Difference between Statement of Affairs and Balance Sheet:

Basis	Statement of affairs	Balance sheet
Reliability	It is prepared on the basis of transactions partly recorded on the basis of double entry book keeping and partly on the basis of single basis. Most of the assets are recorded on the basis of estimates, assumptions, information gathered from memory rather than records.	It is based on transactions recorded strictly on the basis of double entry book keeping; each item in the balance sheet can be verified from the relevant subsidiary books and ledger. Hence the balance sheet is not only reliable, but also dependable.
Capital	In this statement, capital is merely a balancing figure being excess of assets over capital. Hence assets need not be equal to liabilities.	Capital is derived from the capital account in the ledger and therefore the total of assets side will always be equal to the total of liabilities side.
Omission	Since this statement is prepared on the basis of incomplete records, it is very difficult, to locate the assets and liabilities, if they are omitted from the books.	There is no possibility of omission of any item of asset and liability since all items are properly recorded. Moreover, it is easy to locate the missing items since the balance sheet will not agree.
Basis of Valuation	The valuation of assets is generally done in an arbitrary manner; therefore no method of valuation is disclosed.	The valuation of assets is done on scientific basis, that is original cost in the case of new assets and depreciated amount on the basis of cost minus depreciation to date for used assets. Any change in the method of valuation is properly disclosed.
Objects	The object of preparing this statement in the calculation of capital figures in the beginning and at the end of the accounting period respectively.	The object of preparing the balance sheet is to ascertain the financial position on a particular date.

Conversion Method:

When Used: If the businessmen want to ascertain the profit in an informative manner i.e. how it has been earned and disposed off, it is better to follow the Conversion Method. It involves a more detailed analysis of accounts as follows:

- Step 1:** A statement of affairs at the beginning of the year should be prepared and posted from it all those accounts which have not been maintained already.
- Step 2:** The cash book should be gone through and entries relating to impersonal account should be posted to their respective accounts as these items were not posted to impersonal accounts under the single entry system.
- Step 3:** Similarly, totals of other subsidiary books as are not posted to the impersonal accounts should be posted to their respective accounts.
- Step 4:** Now, the personal accounts, which already been kept under the single entry system should be scrutinized in order to find out the items which have been made direct therein without passing through one of the subsidiary books. Ex: Bad debts, discounts, allowances etc.
- Step 5:** If a Petty cash is maintained the monthly analysis posted to the debit of the various accounts for expenses and the total credit to the petty cash account.
- Step 6:** After completing the double entry of all the transactions of the previous year, a trial balance should be prepared to test the arithmetical accuracy of the books.

After that the necessary adjustments like outstanding Expenses and Incomes, Depreciation, Provision for Bad debts, Trading & Profit and Loss A/c and Balance Sheet should be prepared in the usual manner.

Notes:

1. If only personal accounts have been posted from the Cash Book, debits and credits pertaining to nominal accounts and real accounts that are not posted, should be posted into the ledger. If there are Discount Columns in the Cash Book, the totals of discounts paid and received should be posted to Discounts Allowed and Discounts Received Accounts respectively, for completing the double entry.
2. Purchase Day Book, Sales Day Book, Return Book and Bills Receivable and Payable, etc. should be totalled up and their totals posted into the ledger to the debit or credit of the appropriate nominal or real accounts, the personal aspect of the transactions having been posted already.
3. In the Cash Book, there might be entered several receipts which have no connection with the business but which belong to the proprietor, e.g., interest collected on his private investment, legacies received by him, amount contributed by the proprietor from his private resources, etc. All those amounts should be credited to his capital account. Also the Cash Book may contain entries in respect of payments for proprietor's purchases made by the business. All such items should be debited to his capital account.
4. Amounts belonging to the business after collection may have been directly utilised for acquiring business assets or for meeting certain expenses instead of being deposited into the Cash Book. On the other hand, the proprietor may have met some of the business expenses from his private resources. In that case, the appropriate asset or expense account should be debited and the source which had provided funds credited.
5. If cash is short, because the proprietor had withdrawn amount without any entry having been made in the cash book the proprietor's capital account should be debited. In fact, it will be necessary to debit or credit the proprietor's capital account in respect of all unidentified amounts which cannot be adjusted otherwise.
6. Where the benefit of an item of an expense is received both by the proprietor and business, then it should be allocated between them on some equitable basis eg. Rent of premises when the proprietor lives in the premises, should be allocated on the basis of the area occupied by him for residence.

PROBLEMS FOR CLASSROOM DISCUSSION

PROBLEM 1: Assets and Liabilities of Mr. X as on 31-12-2015 and 31-12-2016 are as follows:

	31-12-2015 (Rs.)	31-12-2016 (Rs.)
Assets		
Building	1,00,000	?
Furniture	50,000	?
Inventory	1,20,000	2,70,000
Sundry debtors	40,000	90,000
Cash at bank	70,000	85,000
Cash in hand	1,200	3,200
Liabilities		
Loans	1,00,000	80,000
Sundry creditors	40,000	70,000

Decided to depreciate building by 2.5% and furniture by 10%. One Life Insurance Policy of the Proprietor was matured during the period and the amount Rs. 40,000 is retained in the business. Proprietor took @ Rs. 2,000 p.m. for meeting family expenses. Prepare Statement of Affairs. Find out profit of Mr.X

(A) (NEW SM)

(ANS.: PROFIT & LOSS A/C BAL. FIG. RS.1,83,500, STATEMENT OF AFFAIRES TOTAL (31.03.2015) RS.3,81,200, (31.03.2016) RS.5,90,700) (SOLVE PROBLEM NO: 1,2 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 2: (PRINTED SOLUTION AVAILABLE): Capital Comparison Method and determination of surplus or deficit profit: Suresh does not maintain his books of accounts under the double entry system but keeps slips or papers from which he makes up his annual accounts. He has borrowed money from a bank to whom he has to render figures of profits every year. He has given the bank the following profit figures:

Year ending 31 st December	Profits (Rs.)
2010	20,000
2011	32,000
2012	35,000
2013	48,000
2014	55,000

The bank appoints you to audit the statements and verify whether the figures of profits report are corrected or not; for this purpose, the following figures are made available to you:

- Position as on 31st December, 2009: Sundry debtors Rs.20,000; Stock in trade (at 95% of the cost) Rs.47,500; Cash in hand and at bank Rs.12,600; Trade creditors Rs.6,000; Expenses due Rs.1,600.
- He had borrowed Rs.5,000 from his wife on 30th September, 2009 on which he had agreed to pay simple interest at 12% p.a. The loan was repaid along with interest on 31st Dec., 2011.
- In, December, 2010, he had advanced Rs.8,000 to A for purchase of a vacant land. The property was registered in March, 2012 after payment of balance consideration of Rs.32,000. Cost of registration incurred for this were Rs.7,500.
- Suresh purchased jewellery for Rs.15,000 for his daughter in October, 2012 Marriage expenses incurred in January were Rs.24,000.
- A new VCR was purchased by him in March 2014 for Rs.18,000 and presented by him to his friend in Nov. 2014.

6. His annual household expenses amounted to a minimum of Rs.24,000.
7. The position of assets and liabilities as on 31st December 2014 was found to be Overdraft with bank (secured against property) Rs.12,000; Trade creditors Rs.10,000. Expenses payable Rs.600; Sundry debtors (including Rs.600 due from a peon declared insolvent by Court) Rs.28,800; Stock in trade (at 125% at cost of reflect market value) Rs.60,000 and Cash in hand Rs.250.

It is found that the rate of profit has been uniform throughout the period and the proportion of sales during the years of total sales for the period was in the ratio of 3:4:4:6:8.

Ascertain the annual profits and indicate difference, if any, with those reported by Suresh to the bank earlier. All workings are to form part of your answer. (A) (OLD SM)

(ANS.: NET PROFIT RS.2,08,500; CAPITAL AS ON 31-12-2009 RS. 69,850; CAPITAL AS ON 31-12-2014 RS. 53,850)
(SOLVE PROBLEM NO: 3 OF ASSIGNMENT PROBLEMS AS REWORK)

PROBLEM 3: (PRINTED SOLUTION AVAILABLE): A and B are in partnership having profit sharing ratio 2 : 1. The following information is available about their assets and liabilities:

Particulars	31.3.2014 (Rs.)	31.3.2015 (Rs.)
Furniture	1,20,000	?
Advances	70,000	50,000
Creditors	32,000	30,000
Debtors	40,000	45,000
Stock	60,000	74,750
Loan	80,000	-
Cash at Bank	50,000	1,40,000

The partners are entitled to salary @ Rs.2,000 p.m. They contributed proportionate capital. Interest is paid @ 6% on capital and charged @ 10% on drawings.

Drawings of A and B

Date	A (Rs.)	B (Rs.)
April 30	2,000	-
May 31	-	2,000
June 30	4,000	-
Sept. 30	-	6,000
Dec. 31	2,000	-
Feb. 28	-	8,000

On 30th June, they took C as 1/3rd partner who contributed Rs.75,000. C is entitled to share of 9 months profit. The new profit ratio becomes 1:1:1. A withdrew his proportionate share. Depreciate furniture @ 10% p.a., new purchases Rs.10,000 may be depreciated for 1/4th of a year.

Current account as on 31.3.2014: A Rs.5,000 (Cr.), B Rs.2,000 (Dr.)

Prepare Statement of Profit, Current Accounts of partners and Statement of Affairs as on 31.03.2015.

(B) (NEW SM) (ANS.: TOTAL AMOUNT OF STATEMENT OF AFFAIRS FOR YEAR 31.03.2014: RS. 3,42,000; 31.03.2015: RS. 4,27,500)

Note: _____

PROBLEM 4: A trader keeps his books of account under single entry system. On 31st March, 2010 his statement of affairs stood as follows:

Liabilities	Rs.	Assets	Rs.
Trade creditors	5,80,000	Furniture, Fixtures and Fittings	1,00,000
Bills payable	1,25,000	Stock	6,10,000
Outstanding expenses	45,000	Trade Debtors	1,48,000
Capital account	2,50,000	Bills receivable	60,000

		Unexpired insurance	2,000
		Cash in hand and at bank	80,000
	10,00,000		10,00,000

The following was the summary of Cash-book for the year ended 31st March, 2011:

Receipts	Rs.	Payments	Rs.
Cash in hand and at bank on 1 st April, 2011	80,000	Payments to Trade creditors	75,07,000
Cash sales	73,80,000	Payments for bills payable	8,15,000
Receipts from Trade Debtors	15,10,000	Sundry expenses paid	6,20,700
Receipts for Bills Receivable	3,40,000	Drawings	2,40,000
		Cash in Hand and at bank on 31 st March, 2011	1,27,300
	93,10,000		93,10,000

Discount allowed to trade debtors and received from trade creditors amounted to Rs.36,000 and Rs.28,000 respectively. Bills endorsed amounted to Rs.15,000. Annual fire insurance premium of Rs.6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15% per annum on diminishing balances method.

You are also informed about the following balances as on 31st March, 2011:

Particulars	Rs.
Stock	6,50,000
Trade Debtors	1,52,000
Bills Receivable	75,000
Bills payable	1,40,000
Outstanding expenses	5,000

The trader maintains a steady gross profit ratio of 10% on sales.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2011 and Balance Sheet as at that date.

(A) (NEW SM) (ANS.: NET PROFIT RS. 3,26,300)

(SOLVE PROBLEM NO: 4, 5 OF ASSIGNMENT PROBLEMS AS REWORK)

PROBLEM 5: The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2011 and a Balance Sheet as on that date:

a)	Particulars	Balance as on 31 st March, 2010 (Rs.)	Balance as on 31 st March, 2011 (Rs.)
	Building	3,20,000	3,60,000
	Furniture	60,000	68,000
	Motorcar	80,000	80,000
	Stocks	-	40,000
	Bills payable	28,000	16,000
	Cash and Bank balances	1,80,000	1,04,000
	Sundry Debtors	1,60,000	-
	Bills receivable	32,000	28,000
	Sundry Creditors	1,20,000	-

b) Cash transactions during the year included the following besides certain other items:

Particulars	Rs.	Particulars	Rs.
Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (Including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash sales	80,000

c) Other information:

1. Bills receivable drawn during the year amount to Rs.20,000 and Bills payable accepted Rs.16,000.
2. Some items of old furniture, whose written down value on 31st March, 2010 was Rs.20,000 was sold on 30th September, 2010 for Rs.8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.
3. Of the Debtors, a sum of Rs.8,000 should be written off as Bad Debt and a reserve for doubtful debts is to be provided @ 2%.
4. Mr. Shiv Kumar has been maintaining a steady gross profit rate of 30% on turnover.
5. Outstanding salary on 31st March, 2010 was Rs.8,000 and on 31st March, 2011 was Rs.10,000. On 31st March, 2010, Profit and Loss Account had a credit balance of Rs.40,000.
6. 20% of total sales and total purchases are to be treated as for cash.
7. Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts.

(A) (NEW SM)

(ANS.: NET LOSS: RS. 25,840; TOTAL OF BALANCE SHEET AS ON 31-03-2011: RS. 8,68,160 OPENING STOCK: RS.80,000
OPENING CAP: RS.7,16,000 GROSS PROFIT-1,20,000 ADDITIONS TO FURNITURE:RS. 28,000)

Note: _____

PROBLEM 6: Ms. Rashmi furnishes you with the following information relating to her business:

1. Assets and liabilities as on:

Particulars	1.1.2014 (Rs.)	31.12.2014 (Rs.)
Furniture (W.D.V)	12,000	12,700
Inventory at cost	16,000	14,000
Sundry Debtors	32,000	?
Sundry Creditors	22,000	30,000
Prepaid expenses	1,200	1,400
Unpaid expenses	4,000	3,600
Cash in hand and at bank	2,400	1,250

2. Receipts and payments during 2014:

Collections from debtors, after allowing discount of Rs. 3,000 amounted to Rs. 1,17,000.

Collections on discounting of bills of exchange, after deduction of discount of Rs. 250 by the bank, totalled to Rs. 12,250.

Creditors of Rs. 80,000 were paid Rs. 78,400 in full settlement of their dues.

Payment for freight inwards Rs. 6,000.

Amount withdrawn for personal use Rs. 14,000.

Payment for office furniture Rs. 2,000.

Investment carrying annual interest of 4% was purchased at Rs. 192 (face value Rs. 200) on 1st July, 2014 and payment made there for.

Expenses including salaries paid Rs. 29,000.

Miscellaneous receipts Rs. 1,000.

3. Bills of exchange drawn on and accepted by customers during the year amounted to Rs.20,000. Of these, bills of exchange of Rs. 4,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs. 800 was dishonoured.
4. Goods costing Rs. 1,800 were used as advertising materials.
5. Goods are invariably sold to show a gross profit of 33-1/3% on sales.

6. Difference in cash book, if any, is to be treated as further drawing or introduction of capital by Ms. Rashmi.
7. Provide at 2.5% for doubtful debts on closing debtors.

Rashmi asks you to prepare Trading and Profit and Loss account for the year ended 31st December, 2014 and the balance sheet as on that date.

(A) (NEW SM, SIMILAR: RTP N18 (N&O))

(ANS.: NET PROFIT RS. 15,582; TOTAL OF BALANCE SHEET RS.70,974)

(SOLVE PROBLEM NO: 6 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 7: (PRINTED SOLUTION AVAILABLE): Conversion Method and Preparation of Debtors A/c, Creditors A/c, Bills Receivable A/c, Bills Payable A/c. Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:

Particulars	31.12.2009	31.12.2010
Sundry debtors	70,000	92,000
Bills receivable	15,000	6,000
Bills payable	12,000	14,000
Sundry creditors	40,000	56,000
Stock	1,10,000	1,90,000
Bank	90,000	87,000
Cash	5,200	5,300

Summary of cash transactions during 2009-2010:

1. Deposited in to bank after payment of shop expenses @ Rs.600 p.m., wages @ Rs.9,200 p.m. and personal expenses @ Rs.1,400 p.m. Rs.7,62,750.
2. Withdrawals Rs.1,21,000
3. Cash payment to suppliers Rs.77,200 for supplies and Rs.25,000 for furniture
4. Cheques collected from customers but dishonoured Rs.5,700
5. Bills accepted by customers Rs.40,000
6. Bills endorsed Rs.10,000
7. Bills discounted (gross) Rs.20,000, discount Rs.750
8. Bills matured and duly collected Rs.16,000
9. Bills accepted Rs.24,000
10. Paid suppliers by cheque Rs.3,20,000
11. Received Rs.20,000 on maturity of one LIC policy of the proprietor by cheque
12. Rent received Rs.14,000 by cheque
13. A building was purchased on 30.11.2010 for opening a branch for Rs.3,50,000 and some expenses were incurred details of which are not maintained
14. Electricity and telephone bills paid by cash Rs.18,700, due Rs.2,200

Other transactions:

1. Claim against the firm for damage Rs.1,55,000 is under legal dispute. Legal expenses Rs.17,000. The firm anticipates defeat in the suit
2. Goods returned to suppliers Rs.4,200
3. Goods returned by customers Rs.1,200
4. Discount offered by suppliers Rs.2,700
5. Discount offered to customers Rs.2,400

6. The business is carried on at the premises owned by the proprietor. 50% of the ground floor space is used for business and remaining 50% is let out for an annual rent of Rs.20,000.

Prepare Trading and Profit & Loss A/c of Mr. Anup for the year ended 31.12.2010 and Balance Sheet as on that date.

(A) (NEW SM) (ANS.: NET PROFIT RS.2,57,700)

(SOLVE PROBLEM NO: 7,8 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 8: (PRINTED SOLUTION AVAILABLE): The following is the Balance Sheet of a concern on 31st March, 2010:

Liabilities	Rs.	Assets	Rs.
Capital	10,00,000	Fixed Assets	4,00,000
Creditors (Trade)	1,40,000	Stock	3,00,000
Profit & Loss A/c	60,000	Debtors	1,50,000
		Cash & Bank	3,50,000
	12,00,000		12,00,000

The management estimates the purchases and sales for the year ended 31st March, 2011 as under:

Particulars	Upto 28.02.2011 (Rs.)	March 2011 (Rs.)
Purchases	14,10,000	1,10,000
Sales	19,20,000	2,00,000

It was decided to invest Rs.1,00,000 in purchases of fixed assets, which are depreciated @ 10% on cost.

The time lag for payment to Trade Creditors for purchase and receipt from Sales is one month. The business earns a gross profit of 30% on turnover. The expenses against gross profit amount to 10% of the turnover. The amount of depreciation is not included in these expenses.

Draft a Balance Sheet as at 31st March, 2011 assuming that creditors are all Trade Creditors for purchases and debtors for sales and there is no other item of current assets and liabilities apart from stock and cash and bank balances.

(A) (NEW SM) (ANS.: NET PROFIT RS.3,74,000)

(SOLVE PROBLEM NO: 9 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 9: (PRINTED SOLUTION AVAILABLE): Conversion Method and Determination of cash defalcation: Following is the Balance Sheet of retail business of Sri Srinivas as at 31-12 - 2010:

Liabilities	Rs.	Assets	Rs.
Sri Srinivas's capital	1,00,000	Furniture	10,000
Liabilities for goods	20,500	Stock	70,000
Rent	1,000	Debtors	25,000
		Cash at Bank	14,500
		Cash in hand	2,000
	1,21,500		1,21,500

You are furnished with the following information:

1. Sri Srinivas sells his goods at a profit of 20% on sales.
2. Goods are sold for cash and credit. Credit customers pay by cheques only.
3. Payments for purchases are always made by cheques.

4. It is the practice of Sri Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of Rs.300 to the clerk, Sundry expenses of Rs.50 and personal expenses Rs.100.

Analysis of the Bank Pass-book for 13 weeks period ending 31.3.2011 disclosed the following:

Particulars	Rs.
Payments to creditors	75,000
Payments of rent up to 31.3.2011	4,000
Amounts deposited into the bank (Include Rs.30,000 received from debtors by cheques)	1,25,000

The following are the balances on 31st March 2011:

Particulars	Rs.
Stock	40,000
Debtors	30,000
Creditors for goods	36,500

On the evening of 31st March, 2011 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit & Loss A/c for the period ended 31st March, 2011 and a Balance Sheet as on that date.

(A) (NEW SM) (ANS.: CASH DEFALCATED RS.17,400, NET PROFIT RS.5,300; TOTAL OF BALANCE SHEET RS.1,40,500)

(SOLVE PROBLEM NO: 10,11&12 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PRINTED SOLUTIONS FOR SOME SELECTIVE PROBLEMS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 2, 3, 7, 8, 9

PROBLEM NO:2

Statement of affairs as on 31.12.2009

Liabilities	Rs.	Assets	Rs.
Capital (b/f)	69,850	Sundry debtors	20,000
Trade Creditors	6,000	Stock in trade $\left(\frac{100}{95} \times 47,500\right)$	50,000
O/s Expenses	1,600	Cash in hand and at Bank	12,600
Loan from wife {5000 + 150 (5,000 x 12% x 3/12)}	5,150		
	82,600		82,600

Statement of affairs as on 31.12.2014

Liabilities	Rs.	Assets	Rs.
Capital b/f	53,850	Sundry debtors 28,800	
Bank overdraft	12,000	(-) Bad debts 600	28,200
Trade creditors	10,000	Stock in trade $\left(\frac{100}{125} \times 60,000\right)$	48,000
O/s expenses	600	Cash in hand	250
	76,450		76,450

Statement showing Actual Profits

Year	Actual Profit	Profit Reported	Excess / {Short fall}
2010	$2,08,500 \times \frac{3}{25} = 25,020$	20,000	5,020
2011	$2,08,500 \times \frac{4}{25} = 33,360$	32,000	1,360
2012	$2,08,500 \times \frac{4}{25} = 33,360$	35,000	(1,640)
2013	$2,08,500 \times \frac{6}{25} = 50,040$	48,000	2,040
2014	$2,08,500 \times \frac{8}{25} = 66,720$	55,000	11,720

Statement of computation of Net Profit:

Particulars	Rs.	Rs.
Capital as on 31.12.2014		53,850
Add: Drawings		
Land (8,000 + 32,000 + 7,500)	47,500	
Marriage Expenses (15,000 + 24,000)	39,000	
VCR	18,000	
Household (24,000 x 5)	1,20,000	2,24,500
		2,78,350
Less: Capital as on 31.12.2009		(69,850)
Net profit for 5 years		2,08,500

Given sales ratio = 3 : 4 : 4 : 6 : 8

Ratio of profit is uniform throughout the years

Profit ratio = Sales ratio = 3 : 4 : 4 : 6 : 8

PROBLEM NO: 3

Statement of Affairs as on 31-3-2014 and 31-3-2015

Liabilities	31-3-2014 (Rs.)	31-3-2015 (Rs.)	Assets	31-3-2014 (Rs.)	31-3-2015 (Rs.)
Capital A/c's			Furniture	1,20,000	1,17,750
A	1,50,000	75,000	Advances	70,000	50,000
B (b/f)	75,000	75,000	Stock	60,000	74,750
C	—	75,000	Debtors	40,000	45,000
Loan	80,000	—	Cash at bank	50,000	1,40,000
Creditors	32,000	30,000	Current A/c		
			B	2,000	—
Current A/c's					
A	5,000	74,036*			
B	—	48,322*			
C		50,142*			
	3,42,000	4,27,500		3,42,000	4,27,500

*See current A/cs.

Working Note - 1:

	Particulars	Amount (Rs.)
(i)	Depreciation on Furniture	
	10% on Rs. 1,20,000	12,000

	10% on Rs. 10,000 for 1/4 year	250
		12,250
(ii)	Furniture as on 31-3-2015	
	Balance as on 31-3-2014	1,20,000
	Add: new purchase	10,000
		1,30,000
	Less: Depreciation	(12,250)
		1,17,750
(iii)	Total of Current Accounts as on 31-3-2015	
	Total of Assets	4,27,500
	Less : Fixed Capital + Liabilities	(2,55,000)
		1,72,500

This is after adding salary, interest on capital and deducting drawings and interest on drawings.

Working Note – 2:

(iv)	Interest on Capital :	Amount (Rs.)
	A : on 1,50,000@ 6% for 3 months	2,250
	on 75,000 @ 6% for 9 months	3,375
		5,625
	B : on 75,000@ 6% for 1 year	4,500
	C : on 75,000@ 6% for 9 months	3,375
		7,875
(v)	Interest on Drawings:	
	A : on 2,000 @ 10% for 11 months	183
	on 4,000 @ 10% for 9 months	300
	on 2,000@ 10% for 3 months	50
		533
	B : on 2,000 @ 10% for 10 months	167
	on 6,000 @ 10% for 6 months	300
	on 8,000 @ 10% for 1 month	67
		534

Working Note – 3:

Statement of Profit

Particulars	Rs.
Current Account Balances as on 31-3-2015	1,72,500
Less: Salary A Rs.2,000 × 12 = 24,000	
B Rs. 2,000 × 12 = 24,000	
C Rs. 2,000 × 9 = 18,000	(66,000)
Less: Interest on Capital	
A 5,625	
B 4,500	
C 3,375	(13,500)
Add: Drawings	
A 8,000	
B 16,000	24,000
Add: Interest on Drawings	
A 533	
B 534	1,067

	1,18,067
Less: Current A/c Balances as on 31-3-2010 (Rs.5,000 – Rs.2,000)	(3,000)
	<u>1,15,067</u>

Working Note – 4:

Allocation of Profit	Rs. 1,15,067	
3 months Profit	Rs. 28,767	
9 months Profit	Rs. 86,300	
A : $(\frac{2}{3} \times \text{Rs. } 28,767) + (\frac{1}{3} \times \text{Rs. } 86,300)$		= Rs. 47,944
B : $\frac{1}{3} \times \text{Rs. } 1,15,067$		= Rs. 38,356
C: $\frac{1}{3} \times \text{Rs. } 86,300$		= <u>Rs. 28,767</u>
		<u>Rs. 1,15,067</u>

Dr.

Current Accounts

Cr.

Particulars	A	B	C	Particulars	A	B	C
To Balance b/d	—	2,000	—	By Balance b/d	5,000	—	—
To Drawings	8,000	16,000	—	By Salary	24,000	24,000	18,000
To Interest on Drawings	533	534	—	By Interest on Capital	5,625	4,500	3,375
To Balance c/d	74,036	48,322	50,142	By Share of Profit	47,944	38,356	28,767
	82,569	66,856	50,142		82,569	66,856	50,142

PROBLEM NO. 7**Trading and Profit & Loss Account of Mr. Anup for the year ended 31-12-2016**

Particulars	Amount in Rs.	Amount in Rs.	Particulars	Amount in Rs.	Amount in Rs.
To Opening Inventory		1,10,000	By Sales	9,59,750	
To Purchases	4,54,100		Less: Sales Return	(1,200)	9,58,550
Less: Purchases Return	(4,200)	4,49,900	By Closing Inventory		1,90,000
To Gross Profit (b.f.)		5,88,650			
		11,48,550			11,48,550
To Wages (9,200 x 12)		1,10,400	By Gross Profit		5,88,650
To Electricity & Tel. Charges (18,700 + 2,200)		20,900	By Discount		2,700
To Legal expenses		17,000			
To Discount (2,400 + 750)		3,150			
To Shop exp. (600 x 12)		7,200			
To Provision for claims for damages		1,55,000			
To Shop Rent		20,000			
To Net Profit (b.f.)		2,57,700			
		5,91,350			5,91,350

Balance-Sheet as on 31-12-2016

Liabilities	Amount in Rs.	Amount in Rs.	Assets	Amount in Rs.
Capital A/c (W.N. vi)	2,38,200		Building (from summary cash and bank A/c)	3,72,000
Add : Fresh capital introduced	20,000		Furniture	25,000
Maturity value from LIC				

Rent	14,000		Inventory	1,90,000
Add : Net Profit	2,57,700		Sundry debtors	92,000
	5,29,900		Bills receivable	6,000
Less : Drawing (1,400 x12)	(16,800)	5,13,100	Cash at Bank	87,000
Rent outstanding		20,000	Cash in Hand	5,300
Sundry creditors		56,000		
Bills Payable		14,000		
Outstanding expenses				
Legal Expenses	17,000			
Electricity & Telephone charges	2,200	19,200		
Provision for claims for damages		1,55,000		
		7,77,300		7,77,300

Working Notes:**Sundry Debtors Account**

Particulars	Amount in Rs.	Particulars	Amount in Rs.
To Balance b/d	70,000	By Bill Receivable A/c- Bills accepted by customers	40,000
To Bill receivable A/c - Bills dishonoured	3,000	By Bank A/c -	
To Bank A/c-Cheque dishonoured	5,700	Cheque received	5,700
To Credit sales (Balancing Figure)	9,59,750	By Cash (from summary cash and bank a/c)	8,97,150
		By Return inward A/c	1,200
		By Discount A/c	2,400
		By Balance c/d	92,000
	10,38,450		10,38,450

Bills Receivable Account

Particulars	Amount in Rs.	Particulars	Amount in Rs.
To Balance b/d	15,000	By Sundry creditors A/c (Bills endorsed)	10,000
To Sundry Debtors A/c (Bills accepted)	40,000	By Bank A/c (20,000 – 750)	19,250
		By Discount A/c(Bills discounted)	750
		By Bank - Bills collected on maturity	16,000
		By Sundry debtors Bills dishonoured (Bal. Fig)	3,000
		By Balance c/d	6,000
	55,000		55,000

Sundry Creditors Account

Particulars	Amount in Rs.	Particulars	Amount in Rs.
To Bank	3,20,000	By Balance c/d	40,000
To Cash	77,200	By Credit purchase (Bal. figure)	4,54,100
To Bill Payable A/c	24,000		
To Bill Receivable A/c	10,000		
To Return Outward A/c	4,200		
To Discount Received A/c	2,700		
To Balance b/d	56,000		
	4,94,100		4,94,100

Bills Payable A/c

Particulars	Amount in Rs.	Particulars	Amount in Rs.
To Bank A/c (Balance figure)	22,000	By Balance b/d	12,000
To Balance c/d	14,000	By Sundry creditors A/c	
		Bills accepted	24,000
	36,000		36,000

Summary Cash and Bank A/c

Particulars	Amount in Rs.	Amount in Rs.	Particulars	Amount in Rs.	Amount in Rs.
To Balance b/d	5,200	90,000	By Bank	7,62,750	
To Sundry debtors (Bal.fig)		8,97,150	By Cash		1,21,000
To Cash		7,62,750	By Shop exp. (600 x 12)	7,200	
To Bank	1,21,000		By Wages (9,200 x 12)	1,10,400	
To Sunday Debtors		5,700	By Drawing A/c (1,400 x 12)	16,800	
To Bills receivable		19,250	By Bills Payable		22,000
To Bills receivable		16,000	By Sundry creditors	77,200	3,20,000
To Capital (maturity value LIC policy)		20,000	By Furniture	25,000	
To Capital (Rent received)		14,000	By Sundry Debtors		5,700
			By Electricity & Tel. Charges	18,700	
			By Building (Bal. fig)		3,72,000
			By Balance c/d	5,300	87,000
	10,23,350	9,27,700		10,23,350	9,27,700

Statement of Affairs as on 31-12-2015

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Sundry Creditors	40,000	Inventory	1,10,000
Bills Payable	12,000	Debtors	70,000
Capital (Balancing figure)	2,38,200	Bills receivable	15,000
		Cash at Bank	90,000
		Cash in Hand	5,200
	2,90,200		2,90,200

PROBLEM NO: 8Projected Balance Sheet of as on 31st March, 2016

Liabilities		Rs.	Assets		Rs.
Capital		10,00,000	Fixed Assets	4,00,000	
Profit & Loss Account as on 1st April, 2015	60,000		Additions	1,00,000	5,00,000
Add: Profit for the year	3,74,000	4,34,000	Less: Depreciation @ 10%	(50,000)	4,50,000
Creditors (Trade)		1,10,000	Stock in trade		3,36,000
			Sundry Debtors		2,00,000
			Cash & Bank Balances (working note)		5,58,000
		15,44,000			15,44,000

Working Notes:**1. Projected Trading and Profit and Loss Account for the year ended 31st March, 2016**

Particulars	Rs.	Particulars	Rs.
To Opening Stock	3,00,000	By Sales	21,20,000
To Purchases	15,20,000	By Closing Stock (balancing figure)	3,36,000
To Gross Profit c/d (30% on sales)	6,36,000		
	24,56,000		24,56,000
To Sundry Expenses (10% on sales)	2,12,000	By Gross Profit b/d	6,36,000
To Depreciation	50,000		
To Net Profit (b.f.)	3,74,000		
	6,36,000		6,36,000

2. Cash and Bank Account 1st April, 2015 to 31st March, 2016

Particulars	Rs.	Particulars	Rs.
To Balance b/d	3,50,000	By Sundry Creditors (Rs. 1,40,000 + Rs. 14,10,000)	15,50,000
To Sundry Debtors (Rs. 1,50,000 + Rs. 19,20,000)	20,70,000	By Expenses	2,12,000
		By Fixed Assets	1,00,000
		By Balance c/d (b.f.)	5,58,000
	24,20,000		24,20,000

PROBLEM NO: 9**Statement showing the amount of cash defalcated by the Cashier**

	Rs.	Rs.
Cash balance as on 1.1.2016	2,000	
Add : Cash sales (W.N.2 and W.N.4)	1,16,250	1,18,250
Less : Salary to clerk (Rs. 300 × 13)	3,900	
Sundry expenses (Rs. 50 × 13)	650	
Drawings of Sri Srinivas (Rs. 100 × 13)	1,300	
Deposit into bank (Rs. 1,25,000 – Rs. 30,000)	95,000	(1,00,850)
Cash balance as on 31.3.2016 (defalcated by cashier)		17,400

Trading and Profit and Loss Account of Sri Srinivas for the 13 week**Period ended 31st March, 2016**

	Rs.		Rs.	Rs.
To Opening stock	70,000	By Sales :		
To Purchases	91,000	Cash (W.N.2 and W.N.4)	1,16,250	
To Gross Profit c/d	30,250	Credit (W.N.3)	35,000	1,51,250
		By Closing stock		40,000
	1,91,250			1,91,250
To Salaries (300 × 13)	3,900	By Gross profit b/d		30,250
To Rent (Rs. 4,000 – Rs.1,000)	3,000			
To Sundry Expenses (50 × 13)	650			
To Loss of cash by theft	17,400			
To Net Profit (b.f.)	5,300			
	30,250			30,250

Balance Sheet of Sri Srinivas as on 31st March, 2016

Liabilities		Rs.	Assets	Rs.
Capital as on 1.1.2016	1,00,000		Furniture	10,000
Add : Profit	5,300		Stock	40,000
	1,05,300		Debtors	30,000

Less : Drawings	(1,300)	1,04,000	Cash at bank	60,500
Liabilities for goods		36,500		
		1,40,500		1,40,500

Working Notes:**(1) Purchases****Creditors Account**

	Rs.		Rs.
To Bank A/c	75,000	By Balance b/d	20,500
To Balance c/d	36,500	By Purchases A/c (Bal. fig.)	91,000
	1,11,500		1,11,500

(2) Total sales

	Rs.
Opening stock	70,000
Add : Purchases	91,000
	1,61,000
Less : Closing stock	(40,000)
Cost of goods sold	1,21,000
Add : Gross profit @ 25% on cost	30,250
Total Sales	1,51,250

(3) Credit Sales**Debtors Account**

	Rs.		Rs.
To Balance b/d	25,000	By Bank A/c	30,000
To Sales A/c (Bal. fig.)	35,000	By Balance c/d	30,000
	60,000		60,000

(4) Cash Sales

	Rs.
Total sales	1,51,250
Less : Credit Sales	(35,000)
Cash sales	1,16,250

(5) Bank balance as on 31.3.2016

	Rs.		Rs.
To Balance b/d	14,500	By Creditors A/c	75,000
To Debtors A/c	30,000	By Rent A/c	4,000
To Cash A/c (1,25,000 – 30,000)	95,000	By Balance c/d (b.f.)	60,500
	1,39,500		1,39,500

Notes:

1. All purchases are taken on credit basis.
2. In the absence of information about the rate of depreciation, no depreciation has been charged on furniture.
3. The amount defalcated by the cashier may be treated as recoverable from him. In that case, Rs. 17,400 may be shown as sundry advances on assets side in the Balance Sheet and net profit for the 13 week period ending 31st March, 2016 would amount Rs. 22,700.

ASSIGNMENT PROBLEMS

PROBLEM 1: Mr. Hemant had Rs.1,65,000 in the bank account on 01.01.2013 when he started his business. He closed his accounts on 31st March, 2014. His single entry books (in which he did not maintain any account for the bank) showed his position as follows:

Particulars	31.03.2013 (Rs.)	31.03.2014 (Rs.)
Cash in hand	1,100	1,650
Inventory in trade	10,450	15,950
Debtors	550	1,100
Creditors	2,750	1,650

On and from 01.02.2013, he began drawings Rs. 385 per month for his personal expenses from the cash box of the business. His account with the bank had the following entries:

Particulars	Deposits (Rs.)	Withdrawals (Rs.)
01.01.2013	1,65,000	-
01.01.2013 to 31.03.2013	-	1,22,650
01.04.2013 to 31.03.2014	1,26,500	1,48,500

The above withdrawals included payment by cheque of Rs.1,10,000 and Rs. 33,000 respectively during the period from 1.1.2013 to 31.3.2013 and from 1.4.2013 to 31.3.2014 respectively for the purchase of machineries for the business. The deposits after 1.1.2013 consisted wholly of sale price received from the customers by cheques.

Draw up Mr. Hemant's statement of affairs as at 31.03.2013 and 31.03.2014 respectively and work out his profit or loss for the year ended 31.03.2014. (B) (RTP M14)

(ANS.: NET PROFIT RS.23,320, STATEMENT OF AFFAIRES TOTAL (31.03.2013) RS.1,64,450, (31.03.2014) RS.1,82,050)

PROBLEM 2: The income tax officer, assuming the income of Shri Moti for the financial year 2013-2014 and 2014-2015 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti on 1st April 2013 and 1st April, 2015.

1.4.2013	Assets	Cash in hand	25,500
		Stock	56,000
		Sundry debtors	41,500
		Land and building	1,90,000
		Wife's jewellery	75,000
	Liabilities	Owing to Moti's brother	40,000
		Sundry creditors	35,000
1.4.2015	Assets	Cash in hand	16,000
		Stock	91,500
		Sundry debtors	52,500
		Land and building	1,90,000
		Motor car	1,25,000
		Wife's jewellery	1,25,000
		Loan to Moti's brother	20,000
	Liabilities	Sundry creditors	55,000

During the two years the domestic expenditure was Rs.4,000 p.m. The declared income of the financial years were Rs.1,05,000 for 2013-2014 and Rs.1,23,000 for 2014-2015 respectively.

State whether the income-tax officer's contention is correct. Explain by giving your workings

(A) (NEW SM) (ANS.: SUPPRESSED INCOME: RS. 1,20,000)

PROBLEM 3: Lokesh, who keeps books by single entry, had submitted his income-tax returns to income-tax authorities showing his incomes to be as follows:

Particulars	Rs.
Year ending March 31, 2005	33,075
Year ending March 31, 2006	33,300
Year ending March 31, 2007	35,415
Year ending March 31, 2008	61,875
Year ending March 31, 2009	54,630
Year ending March 31, 2010	41,670

The income-tax officer is not satisfied as to the accuracy of the incomes returned. You are appointed as a consultant to assist in establishing correctness of the incomes returned and for that purpose you are given the following information:

1. Business liabilities and assets at March 31, 2004 were:

Creditors: Rs.32,940, Furniture & Fittings: Rs.22,500, Stock: Rs.24,390 (at selling price which is 25% above cost), Debtors: Rs.11,025, Cash at Bank and in hand Rs.15,615.

2. Lokesh owed his brother Rs.18,000 on March 31, 2004. On February 15, 2007 he repaid this amount and on April 1, 2009, he lent his brother Rs.13,500
3. Lokesh owns a house which he purchased in 1999 for Rs.90,000 and a car which he purchased in October, 2005 for Rs.33,750. In January, 2009, he bought debentures in X Ltd. having face value of Rs.40,000 for Rs.33,750.
4. In May 2009, a sum of Rs.13,500 was stolen from his house.
5. Lokesh estimates that his living expenses have been 2004-05: Rs.13,500; 2005-06: Rs.18,000; 2006-07: Rs.27,000 ; 2007-08, 2008-09 and 2009-10: Rs.31,500 p.a. exclusive of the amount stolen.
6. On March 31, 2010 business liabilities and assets were: Creditors Rs.37,800, Furniture, Fixtures and Fittings Rs.40,500, Stock Rs.54,330 (at selling price with a gross profit of 25%). Debtors Rs.26,640, Cash-in-Hand and at Bank Rs.29,025.

From the information submitted, prepare statements owing or not the incomes declared by Lokesh are correct.

(B) (OLD PM) (ANS.: CAPITAL RS. 1,07,712 AS ON 31.03.2014, CAPITAL RS. 2,70,112 AS ON 31.03.2010. CORRECT PROFIT-3,28,900 PROFIT SHOWN TO INCOME TAX OFFICER-2,59,965 UNDER STATEMENT OF INCOME-68,935)

Problem 4: A sole trader requests you to prepare his Trading and Profit & Loss Account for the year ended 31st March, 2013 and Balance Sheet as at that date. He provides you the following information:

Statement of Affairs as at 31st March, 2012

Liabilities	Rs.	Assets	Rs.
Bank Overdraft	4,270	Furniture	96,000
Outstanding Expenses		Computer	24,300
Salaries 8,000		Mobile Phone	8,000
Rent 6,000	14,000	Stock	89,500
Bills Payable	22,500	Trade Debtors	55,000
Trade Creditors	52,500	Bills Receivable	15,000
Capital (balancing figure)	1,97,430	Unexpired Insurance	2,400
		Stock of Stationery	200
		Cash in Hand	300
Total	2,90,700	Total	2,90,700

He informs you that there has been no addition to or sale of Furniture, Computer and Mobile Phone during the accounting year 2012-13. The other assets and liabilities on 31st March, 2013 are as follows:

Particulars	Rs.
Stock	95,400
Trade Debtors	65,000
Bills Receivable	20,000
Unexpired Insurance	2,500
Stock of Stationery	250
Cash at Bank	18,000
Cash in Hand	7,230
Salaries Outstanding	8,300
Rent Outstanding	6,000
Bills Payable	26,500
Trade Creditors	76,000

He also provides you the following summary of his cash transactions:

Receipts	Rs.	Payments	Rs.
Cash Sales	5,09,800	Trade Creditors	3,06,000
Trade Debtors	1,51,900	Bills Payable	80,000
Bills Receivable	65,000	Salaries	99,000
		Rent	72,000
		Insurance Premium	10,000
		Stationery	1,500
		Mobile Phone Expenses	9,000
		Drawings	1,20,000

It is found prudent to depreciate Furniture @ 5%, Computer @ 10% and Mobile Phone @ 25%. A provision for bad debts @ 5% on Trade Debtors is also considered desirable. (A) (OLD PM)

(ANS.: NET PROFIT RS. 1,29,970; TOTAL OF BALANCE SHEET RS. 3,24,200 CREDIT SALES-2,31,900 CASH SALES-5,09,800 GROSS PROFIT-3,34,100 CASH DEPOSITED INTO BANK-(4,270 + 18,000))

PROBLEM 5: A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st December, 2016 is given below:

Receipts	Rs.	Payments	Rs.
Bank balance as on 1 st Jan, 2016	2,800	Payments to sundry creditors	35,000
		Salaries	6,500
Received from sundry debtors	48,000	General expenses	2,500
Cash sales	11,000	Rent and taxes	1,500
Capital brought during the year	6,000	Drawings	3,600
Interest on investments	200	Cash purchases	12,000
		Balance at bank on 31 st Dec, 2016	6,400
		Cash in hand on 31 st Dec, 2016	500
	68,000		68,000

Particulars of other assets and liabilities are as follows:

	1st January, 2016	31st December, 2016
Sundry debtors	14,500	17,600
Sundry creditors	5,800	7,900
Machinery	7,500	7,500

Furniture	1,200	1,200
Inventory	3,900	5,700
Investments	5,000	5,000

Prepare final accounts for the year ending 31st December, 2016 after providing depreciation at 10 percent on machinery and furniture and Rs.800 against doubtful debts.

(A) (NEW SM) (ANS.: NET PROFIT RS. 2,830; TOTAL OF BALANCE SHEET RS.42,230)

PROBLEM 6: Rashid furnishes you with the following information relating to his business:

Particulars	01.01.2002	31.12.2002
Furniture (W.D.V)	6,000	6,350
Stock at cost	8,000	7,000
Sundry debtors	16,000	?
Sundry creditors	11,000	15,000
Prepaid expenses	600	700
Unpaid expenses	2,000	1,800
Cash in hand & at bank	1,200	625

Receipts & payments during 2002:

- Collections from debtors, after allowing discount of Rs.1,500 amounted to Rs.58,500. Collections on discounting of bills of exchange, after deduction of discount of Rs.125, total Rs.6,125.
- Creditors of Rs.40,000 were paid Rs.39,200 in full settlement of their dues.
- Payment for freight inwards Rs.3,000.
- Amounts withdrawn for personal use Rs.7,000.
- Payment for office furniture Rs.1,000.
- Investments carrying annual interest of 4% were purchased at Rs.96 on 1st July, 2002 and payment was made.
- Expenses including salaries paid Rs.14,500.
- Miscellaneous receipts Rs.500.

Other details:

- Bills of exchange drawn on and accepted by customers during the year amounted to Rs.10,000. Of these, bills of exchange of Rs.2,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs.400 was dishonoured.
- Goods costing Rs.900 were used as advertising materials.
- Goods are invariably sold to show a gross profit of 33 1/3 % on sales.
- Difference in cash book, if any, is to be treated as further drawing/introduction by Rashid.
- Provide at 2.5% for doubtful debts on closing debtors.

Rashid asks you to prepare trading and profit and loss a/c for the year ended 31st December, 2002 and the balance sheet as on that date.

(A) (M17 - 16M) (ANS.: NET PROFIT RS. 7,791)

PROBLEM 7: From the following data, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2015 and a Balance Sheet as at that date. All workings should form part of your answer.

Assets and liabilities	As on 1 st April 2014 (Rs.)	As on 31 st March 2015 (Rs.)
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry assets	11,610	12,040
Stock in trade	8,040	11,120

Cash in hand and at bank	6,960	8,080
Trade debtors		17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into bank		8,500
Realizations from debtors-paid into bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from bank		3,180
Cash paid into bank		5,000
Cash drawn from bank		9,240
Cash in hand on 31.3.2015		1,200
Cheques issued to trade creditors		60,270

(A) (NEW SM) (ANS.: NET PROFIT RS. 4,290; TOTAL OF BALANCE SHEET RS.49,110)

PROBLEM 8: Ram carried on business as business as retail merchant. He has not maintained regular account books. However, he always maintained Rs 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2010	As on 31.3.2011
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?

Analysis of his bank pass book reveals the following information:

1. Payment to creditors Rs.7,00,000
2. Payment for business expenses Rs.1,20,000
3. Receipts from debtors Rs.7,50,000
4. Loan from Laxman Rs.1,00,000 taken on 1.10.2010 at 10% per annum
5. Cash deposited in the bank Rs.1,00,000

He informs you that he paid creditors for goods Rs.20,000 in cash and salaries Rs.40,000 in cash. He has drawn Rs.80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

Prepare:

1. Trading and Profit and Loss Account for the year ended 31.3.2011.
2. Balance Sheet as at 31st March, 2011. (A) (OLD PM, MTP1 M18(N)) (ANS.: NET PROFIT: RS.1,45,000)

PROBLEM 9: The following is the Balance sheet of M/s. Care Traders as on 1 - 4 - 2014:

Particulars	Rs.
Sources of Funds:	
Share Capital	10,00,000
Profit and Loss	1,47,800

Unsecured loan @ 10%	1,75,000
Trade Payables	45,800
	13,68,600

Particulars	Rs.
Application of Funds:	
Machinery	8,25,500
Furniture	1,28,700
Inventory	1,72,000
Trade Receivables	2,29,600
Bank Balance	12,800
	13,68,600

A fire broke out in the premises on 31-3-2015 and destroyed the books of account. The accountant could however provide the following information:

1. Sales for the year ended 31-3-2014 was Rs.18,60,000. Sales for the current year was 20% higher than the last year.
2. 25% sales were made in cash and the balance was on credit.
3. Gross profit on sales is 30%.
4. Terms of credit

Debtors: 2 Months; Creditors: 1 Month

All creditors are paid by cheque and all credit sales are collected in cheque.

5. The Bank Pass Book has the following details (other than payment to creditors and collection from debtors)

Particulars	Rs.
Machinery purchased	1,14,000
Rent Paid	1,32,000
Advertisement expenses	80,000
Travelling expenses	78,400
Repairs	36,500
Sales of furniture	9,500
Cash withdrawn for petty expenses	28,300
Interest paid on unsecured loan	8,750

6. Machinery was purchased on 1-10-2014.
7. Rent was paid for 11 months only and 25% of the advertisement expenses relates to the next year.
8. Travelling expenses of Rs.7,800 for which cheques were issued but not presented in bank.
9. Furniture was sold on 01-04-2014 at a loss of Rs.2,900 on book value.
10. Physical verification as on 31-03-2015 ascertained the stock position at Rs.1,81,000 and petty cash balance at nil.
11. There was no change in unsecured loan during year.
12. Depreciation is to be provided at 10% on machinery and 20% on furniture.

Prepare Bank Account, Trading and Profit and Loss Account for the year ended 31-3-2015 in the books of M/s. Care Traders and a Balance Sheet as on that date. Make necessary assumptions wherever necessary.

(A) (OLD PM, M15 – 16M)

(ANS: NET PROFIT RS.1,82,690; TOTAL OF BALANCE SHEET RS.16,57,190)

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PROBLEM 10: The following is the Balance Sheet of Sri Agni Dev as on 31st March, 2010:

Liabilities	Rs.	Assets	Rs.
Capital a/c	2,52,500	Machinery	1,20,000
Creditors for purchases	45,000	Furniture	20,000
		Stock	33,000
		Debtors	1,00,000
		Cash in hand	8,000
		Cash at bank	16,500
	2,97,500		2,97,500

Riots occurred and fire broke out on the evening of 31st March, 2011, destroying the books of account and Furniture. The cashier was grievously hurt and the cash available in the cash box was stolen.

The trader gives you the following information:

- a) Sales are affected as 25% for cash and the balance on credit. His total sales for the year ended 31st March, 2011 were 20% higher than the previous year. All the sales and purchases of goods were evenly spread throughout the year (as also in the last year).

- b) Terms of credit

Debtors- 2 Months

Creditors- 1 Month

- c) Stock level was maintained at Rs. 33,000 all throughout the year.

- d) A steady Gross Profit rate of 25% on the turnover was maintained throughout. Creditors are paid by cheque only, except for cash purchase of Rs. 50,000.

- e) His private records and the Bank Pass-book disclosed the following transactions for the year.

Miscellaneous Business expenses Rs. 1,57,500 (including Rs. 5,000 paid by cheque and Rs. 7,500 was outstanding as on 31st Mar, 2011)

i) Repairs Rs. 3,500 (paid by cash)

ii) Addition to Machinery Rs. 60,000 (paid by cheque)

iii) Private drawings Rs. 30,000 (paid by cash)

iv) Travelling expenses Rs. 18,000 (paid by cash)

v) Introduction of additional capital by depositing in to the Bank Rs. 5,000

- f) Collection from debtors was all through cheques.

- g) Depreciation on Machinery is to be provided @ 15% on the Closing Book Value.

- h) The Cash stolen is to be charged to the Profit and Loss Account.

- i) Loss of furniture is to be adjusted from the Capital Account.

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2011 and a Balance Sheet as on that date. Make appropriate assumptions whenever necessary. All workings should form part of your answer.

(A) (OLD PM) (ANS.: NET PROFIT RS.32,500 CASH LOST BY THEFT: RS. 1,500)

PROBLEM 11: The following is the Balance Sheet of Sanjay, a small trader as on 31.3.2002:

Figures in Rs.'000			
Liabilities	Rs.	Assets	Rs.
Capital	200	Fixed Assets	145
Creditors	50	Stock	40
		Debtors	50
		Cash in Hand	5
		Cash at Bank	10
	250		250

A fire destroyed the accounting records as well as the closing cash of the trader on 31.03.2003. However, the following information was available:

- a) Debtors and creditors on 31.03.2003 showed an increase of 20% as compared to 31.03.2002.
- b) Credit Period: Debtors - 1 month Creditors - 2 months. All purchases were for credit only. Cash sales constituted 20% of total sales.
- c) Stock was maintained at the same level throughout the year.
- d) Current ratio as on 31.3.2003 was exactly 2.
- e) Total expenses excluding depreciation of 10% for the year amounted to Rs.2,50,000.
- f) Bank and cash transactions:
 - ▶ Payment to creditors included Rs.50,000 by cash.
 - ▶ Receipts from debtors included Rs.5,90,000 by way of cheques.
 - ▶ Cash deposited into the bank Rs.1,20,000
 - ▶ Personal drawings from bank Rs.50,000
 - ▶ Fixed assets purchased and paid by cheques Rs.2,25,000.

For your exercise, assume cash destroyed by fire is written off in the Profit & Loss A/c.

You are required to prepare (a) The Trading and Profit & Loss A/c of Sanjay for the year ended 31.3.2003 and (b) A Balance Sheet on that date.

(A) (ANS.: NET PROFIT RS.2,43,000)

PROBLEM 12: Conversion Method and Determination of cash defalcation: Mr. A runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2011 was as follows:

Liabilities	Rs.	Assets	Rs.
A's capital a/c	4,04,000	Furniture	40,000
Creditors	82,000	Stock	2,80,000
		Debtors	1,00,000
		Cash in hand	28,000
		Cash at bank	38,000
	4,86,000		4,86,000

You are furnished with the following information:

1. His sales, for the year ended 31st March, 2012 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.
Total sales during the year 2010-11 were Rs. 5,00,000.
2. Payments for all the purchases were made by cheques only.
3. Goods were sold for cash and credit both. Credit customers pay by cheques only.
4. Depreciation on furniture is to be charged 10% p.a.
5. Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of Rs. 2,000 to the clerk, office expenses Rs. 1,200 and personal expenses Rs.500.

Analysis of bank pass book for the year ending 31st March 2012 disclosed the following:

Particulars	Rs.
Payment to creditors	3,00,000
Payment of rent up to 31st March, 2012	16,000
Cash deposited into the bank during the year	80,000

The following are the balances on 31st March, 2012:

Particulars	Rs.
Stock	1,60,000
Debtors	1,20,000
Creditors for goods	1,46,000

On the evening of 31st March 2012, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2012 and Balance Sheet as on that date. All the workings should form part of the answer.

(A) (NEW SM) (ANS.: NET PROFIT RS.1,16,000; TOTAL OF BALANCE SHEET RS.5,78,000)

PROBLEMS FOR SELF PRACTICE

PROBLEM 1: A company sold 20% of the goods on cash basis and the balance on credit basis. Debtors are allowed 1½ month's credit and their balance as on 31.03.2016 is Rs. 1,25,000. Assume that the sale is uniform throughout the year. Calculate the credit sales and total sales of the company for the year ended 31.03.2016.
(NEW SM)

PROBLEM 2: Following is the incomplete information of Jyotishikha Traders:

The following balances are available as on 31.03.2018 and 31.03.2019.

Balances	31.03.2018	31.03.2019
Land and Building	5,00,000	5,00,000
Plant and Machinery	2,20,000	3,30,000
Office equipment	1,05,000	85,000
Debtors (before charging for Bad debts)	?	2,25,000
Creditors for purchases	95,000	?
Creditors for office expenses	20,000	15,000
Stock	?	65,000
Long term loan from SBI @ 12%.	1,60,000	100,000
Bank	25,000	?

Other Information	In Rs.
Collection from debtors	9,25,000
Payment to creditors for purchases	5,25,000
Payment of office expenses (excluding interest on loan)	42,000
Salary paid	32,000
Selling expenses	15,000
Cash sales	2,50,000
Credit sales (80% of total sales)	
Credit purchases	5,40,000
Cash purchases (40% of total purchases)	
GP Margin at cost plus 25%	
Discount Allowed	5,500
Discount Received	4,500
Bad debts (2% of closing debtors)	
Depreciation to be provided as follows:	
Land and Building	5%
Plant and Machinery	10%
Office Equipment	15%

Other adjustments:

- (i) On 01.10.18 they sold machine having Book Value Rs. 40,000 (as on 31.03.2018) at a loss of Rs. 15,000. New machine was purchased on 01.01.2019.
- (ii) Office equipment was sold at its book value on 01.04.2018.
- (iii) Loan was partly repaid on 31.03.19 together with interest for the year.

You are required to prepare Trading, Profit & Loss Account and Balance Sheet as on 31.03.2019.

(RTP-N19) (Ans: GROSS PROFIT: 2,50,000, NET PROFIT AFTER TAX: 64,800)

PROBLEM 3: The following is the Balance Sheet of Manish and Suresh as on 1st April, 2016:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Accounts:		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for goods	30,000	Debtors	50,000
Creditors for expenses	25,000	Bank	25,000
	2,80,000		2,80,000

They give you the following additional information:

- i) Creditors' Velocity 1.5 month & Debtors' Velocity 2 months.
- ii) Stock level is maintained uniformly in value throughout all over the year.
- iii) Depreciation on machinery is charged @ 10%, Depreciation on building @ 5% in the current year.
- iv) Cost price will go up 15% as compared to last year and also sales in the current year will increase by 25% in volume.
- v) Rate of gross profit remains the same.
- vi) Business Expenditures are Rs 50,000 for the year. All expenditures are paid off in cash.
- vii) Closing stock is to be valued on LIFO Basis.
- viii) All sales and purchases are on credit basis and there are no cash purchases and sales.

You are required to prepare Trading, Profit and Loss Account, Trade Debtors Account and Trade Creditors Account for the year ending 31.03.2017.

(B) (RTP M18(N))

(ANS.: NET PROFIT: RS. 24,750; AMOUNT FROM DEBTORS: RS. 4,09,375; AMOUNT PAID TO CREDITORS: RS. 3,31,875)

PROBLEM 4: The following is the Balance Sheet of Chirag as on 31st March, 2015:

Liabilities	Rs.	Assets	Rs.
Capital Account	48,000	Building	32,500
Loan	15,000	Furniture	5,000
Creditor	31,000	Motor car	9,000
		Stock	20,000
		Debtors	17,000
		Cash in hand	2,000
		Cash at bank	8,500
	<u>94,000</u>		<u>94,000</u>

A riot occurred on the night of 31st March, 2016 in which all books and records were lost. The cashier had absconded with the available cash. He gives you the following information:

- (a) His sales for the year ended 31st March, 2016 were 20% higher than the previous year's. He always sells his goods at cost plus 25%; 20% of the total sales for the year ended 31st March, 2016 were for cash. There were no cash purchases

- (b) On 1st April, 2015 the stock level was raised to Rs. 30,000 and stock was maintained at this new level all throughout the year.
- (c) Collection from debtors amounted to Rs. 1,40,000 of which Rs. 35,000 was received in cash, Business expenses amounted to Rs. 20,000 of which Rs. 5,000 was outstanding on 31st March, 2016 and Rs. 6,000 was paid by cheques.
- (d) Analysis of the Pass Book revealed the Payment to Creditors Rs. 1,37,500, Personal Drawing Rs. 7,500, Cash deposited in Bank Rs. 71,500, and Cash withdrawn from Bank Rs. 12,000.
- (e) Gross profit as per last year's audited accounts was Rs. 30,000.
- (f) Provide depreciation on Building and Furniture at 5% and Motor Car at 20%.
- (g) The amount defalcated by the cashier may be treated as recoverable from him. You are required to prepare the Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as on that date.
(MTP2-M19)&(MTP2-M18)

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THE END