

**PANCHAKSHARI'S PROFESSIONAL ACADEMY PVT LTD**  
**Final Account Practice Problem**

Prakash and Prasad were partners sharing profits and losses in the proportion of 3/5 and 2/5. Interest on capital was allowed at 6% and Interest on drawing at 5%. From the following Trial Balance prepared on 31.3.2006, you are required to prepare Trading Account, Profit and Loss account the adjustments given.

<b>Particulars</b>	<b>Debit</b>	<b>Credit</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Capital</b>		
Prakash		60,000
Prasad		40,000
Sales		302,000
Return Outward		4,000
Creditors		50,400
Discount		2,000
Reserve for Bad debts		1,600
Reserve for Discount on Debtors		400
Dividend		1,600
<b>Drawings</b>		
Prakash	2,000	
Prasad	1,000	
Leasehold Property	80,000	
Machinery	24,000	
Purchases	190,000	
Return Inward	6,000	
Repairs & Renewals	4,000	
Opening stock	44,000	
5% Government Bonds	24,000	
Debtors	70,400	
Salaries	10,800	
Rent, Rates and Insurance	1,600	
Prepaid rent	1,000	
Reserve for Discount on creditors	1,200	
Bad debts	400	
Carraige Inward	1,600	
<b>Total</b>	<b>462,000</b>	<b>462,000</b>

**Adjutments:**

<b>1</b>	Reserve for Bad and Doubtful debts is to be maintained at 5% on debtors while reserve for discount on debtors and creditiors is to be made at 2% and 3% respectively. Bad debts Rs.400.
<b>2</b>	Rent, Rate and Insurance inclcuds insurance Rs.600 paid for year ending 31.12.2005.
<b>3</b>	Goods worth Rs. 5000 distributed as free samples not recorded in the books.
<b>4</b>	Sales includes sale of Rs. 12000 on return basis for which reply is not received from customer till the end of year. The cost of such goods is Rs.10000.
<b>5</b>	Carraige Inward includes Rs. 1000 paid for transfer charges and octroi on new machinery purchase on 1.4.2005.
<b>6</b>	Depreciate machinery at 10% and leasehold property ar 5%
<b>7</b>	Goods worth Rs. 3000 stolen from godown.
<b>8</b>	Closing stock valued at cost price Rs. 30000 and Market price Rs. 25000.